The MAGAZINE of WALL STREET

and BUSINESS ANALYST

DECEMBER 13, 1952 75 CENTS

PROSPECTS FOR EARLY 1953 MARKETS

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 91, No. 6 December 13, 1952

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Cover by Phillip Gendreau

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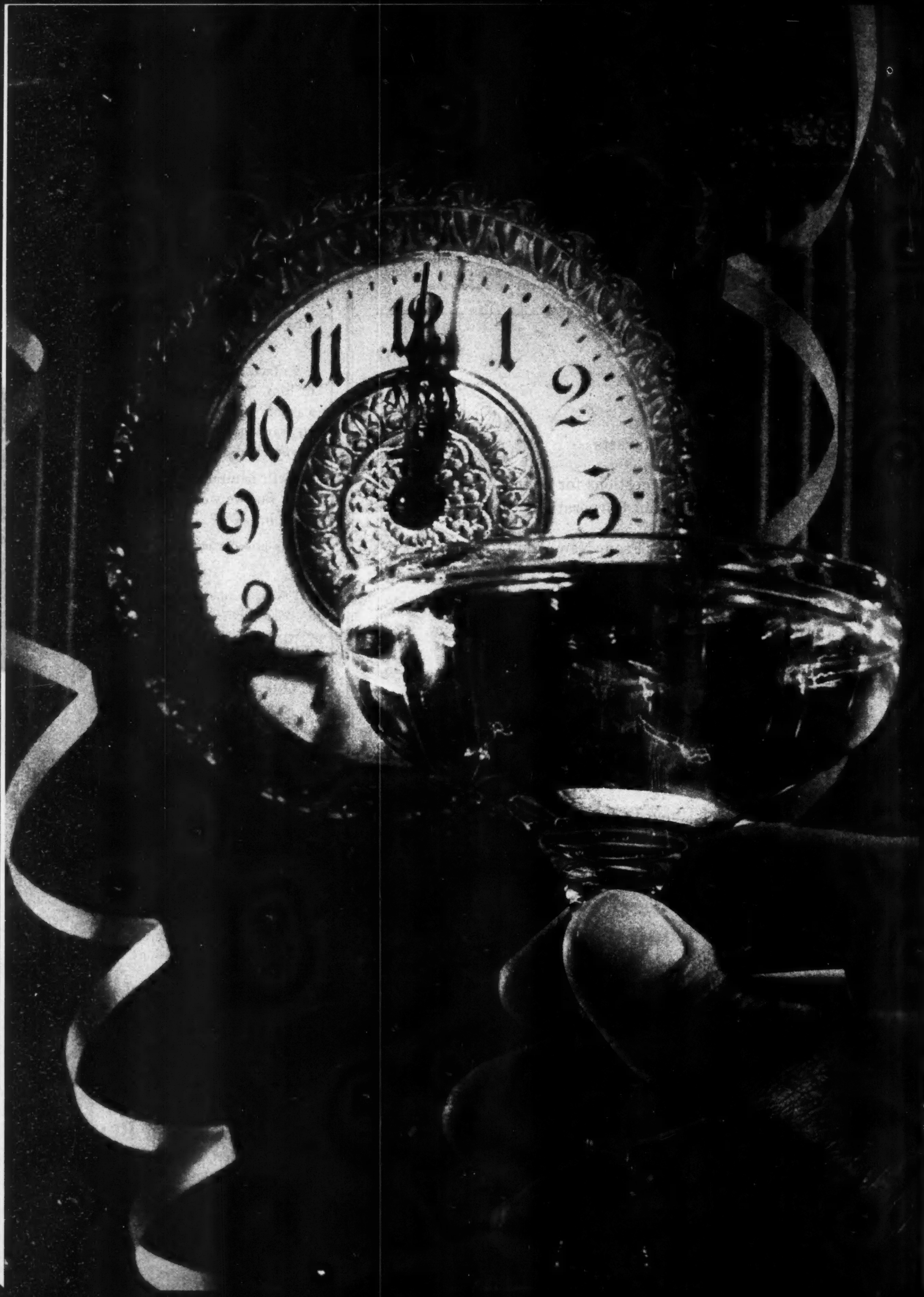
TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

WEST COAST REPRESENTATIVE, Keenan, Hunter and Dietrich, 235 Montgomery Street, San Francisco 4 and 638 S. Van Ness Avenue, Los Angeles 5, California.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address — Tickerpub



Season's Greetings

The Christmas spirit is a wonderful thing, for we let our hearts speak for us when we take time out of our busy lives to think about and remember each other. And that is good.

As we approach 1953 our mood is particularly buoyant—and we have every reason now for feeling this way. In one fell swoop, in a single day, the turn of events changed our entire outlook for the future.

Only yesterday we felt the odds were too great. Today our hopes soar and our dreams have wings. And what is the difference between today and yesterday except that now we have faith in the future—in our capacity to work out our own salvation—to plan—and to carry through.

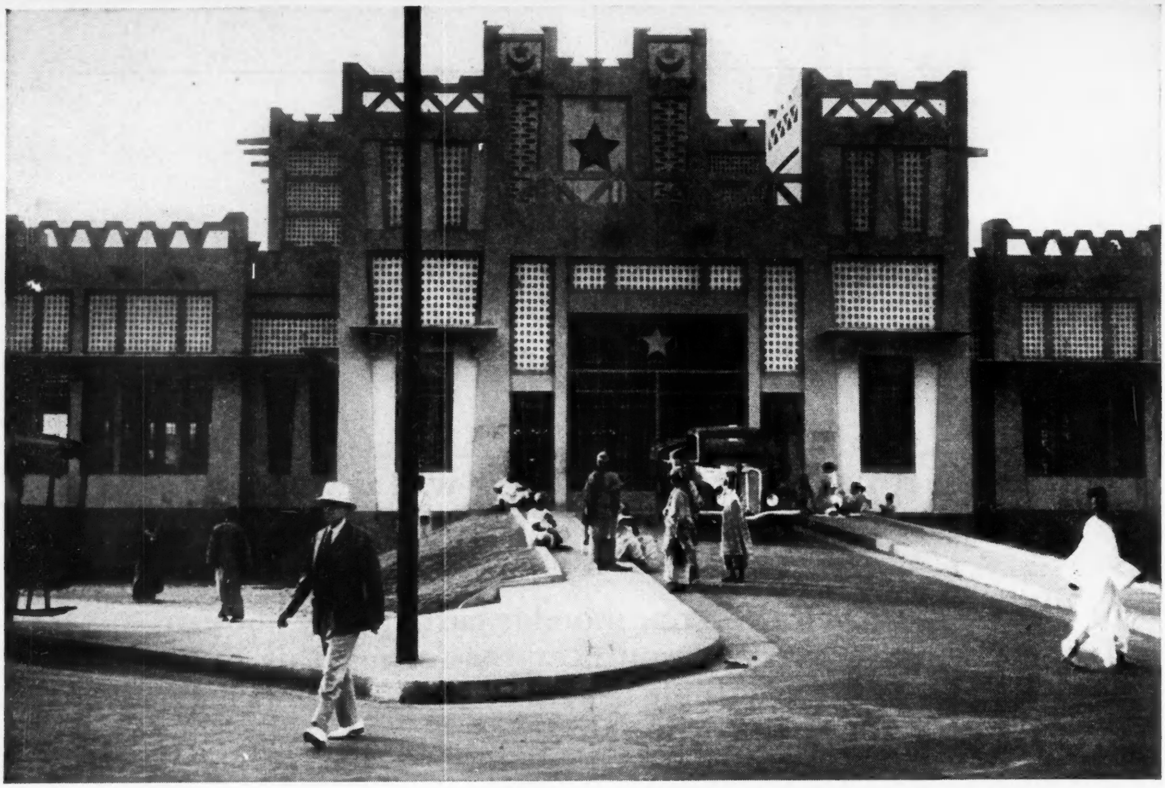
It is exhilarating to dream of a better world, and to see it in our mind's eye is the first step toward realization. We are too experienced to think it will be a perfect world, but we hope it will be a better one. Surely the struggle and sacrifices will not have been in vain when men of good will can once more clasp hands as brothers in peace!

The Lord must love America to overlook our failings and give us this chance for a new and finer life.

To you, our friends and subscribers, whom we are happy to serve in the year ahead, with all our hearts we wish you well in your undertakings and a full measure of happiness and contentment.

C. G. Wyckoff *Publisher*

The MAGAZINE of WALL STREET



Dakar, capital of French West Africa, one of the latest cities connected to the United States through Bell System Overseas Telephone Service.

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

The Trend of Events

WHAT ROAD FOR THE NEW CABINET? . . . President-elect Eisenhower's surprisingly quick completion of his Cabinet may be an indication that he is not going to wait too long after he is inducted into office January 20th before he takes the initiative on our national problems. As a result of his Korean trip, he is now in full possession of all the facts on which he must make his decision as to what to do about this vital conflict. This decision will undoubtedly influence every major move made by the new Adiminstration thenceforth and will inevitably affect policy on such important problems as defense spending, taxes, controls, and federal financing.

A clue to the approach the new President will take to these questions is contained in the composition of the Cabinet he has just appointed. With the exception of the new Secretary of Labor, Mr. Durkin, whose nomination brought forth bitter reproaches by Senator Taft, the new members are conservatives in their attitude on domestic economic matters. This does not mean that they are reactionary, as they are all enlightened men and immensely experienced in large business affairs; but rather that they will be inclined to adopt a highly pragmatic attitude with a view toward harmoniizng, so far as possible, the different and often conflicting needs of the various components of the population. This attitude indeed reflects the basically practical philosophy of General Eisenhower whose temperament seems rather to be marked by an aversion towards unnecessary experimentations.

A return to more orthodox governmental methods in every respect, therefor, is to be envisaged, if the composition of the new Cabinet means anything at all. This is likely to be true even if the present Korean crisis should, unhappily, be enlarged. It is for this reason that the nature of the new President's choice is so interesting and significant.

UNSTABILIZING THE WAGE STABILIZATION BOARD . . . President Truman, in a characteristically defiant mood and still playing the game of low-level politics, has reversed his own Wage Stabilization Board's decision opposing more than a $1.50 a day increase to the soft coal miners. By ordering the Board to raise wages to $1.90 a day, which brought about the immediate resignation of the Chairman and the industry members, the President ran counter to his own anti-inflation program.

He has given as his reason for this cynical action, his fear that unless the miners' full demands were met, they would strike and, as a consequence, the incoming Administration would be unfairly faced with a problem not of its own making. On surface, this attitude seems considerate but closer examination necessarily leads to a questioning of his motives.

The fact is that, as a result of the over-ruling of the Wage Stabilization Board, the new Administration will be faced with even greater problems. Raising the miners' wages beyond the limits permitted by the anti-inflation program could conceivably bring about another rash of demands for wage boosts from other unions who might consider that Mr. Truman's action showed too great a partiality

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

for Mr. Lewis' union.

The last thing the new Administration should have been confronted with is the possibility of another wage spiral. Yet this is what President Truman's step may have accomplished. Surely, General Eisenhower will have enough problems to contend with without those gratuitously created by the soon-to-be-ex-President.

RISE IN INSTALLMENT CREDIT A DANGER SIGNAL? ... Since May, when Regulation W, which controlled installment buying, was dropped, the average monthly increase in installment credit has been $379 million. This is a startling figure. In October ,the rate of increase was even higher reaching a point just under $400 million. Altogether, the six-months' rise totalled $2,276,000,000, a truly stupendous increase, compared with the $123 million total for the previous six months.

There is no doubt that the rapid increase in short-term private debt is becoming a matter of concern, and the question being asked is whether too large a proportion of sales is now dependent on direct consumer financing through installment purchases. While it is probable that outstanding installment credits are not excessive in relation to total consumer income, they are verging dangerously on the excessive side in relation to the volume of sales.

Personal income has been rising steadily as a result of more or less full employment at higher wages. This naturally has a proportionately stimulating effect on sales but from an analysis of the figures given, it seems that the mass of consumers is financing such increased purchases through credit rather than through the additional cash income it now enjoys, the difference going into savings of one sort or another.

The public, in a sense, seems to be protecting its position on the theory that it is safe to borrow as long as it has adequate cash on hand. The retailer is in a different position since he is forced to finance the rising volume of consumer sales through direct borrowing at higher rates. It is true that this enables him to move his goods more rapidly but, at the same time, it renders him more vulnerable to any sudden downward change in the volume of sales.

For the months ahead, it does not seem that this should cause him any undue discomfort as the business outlook is improving but it may very well be, at some distant date, that he will be compelled to adopt a more conservative attitude towards extension of credit to customers.

FINANCING OF PRIVATE BUSINESS BY MUNICIPALITIES ... In recent years, there has been a remarkable trend in the rapidly growing Southern and Western sections of the country towards the financing of private businesses by municipalities. The purpose, of course, is to attract new industries into these regions, and as such is necessary and praiseworthy. However, the means adopted in such cases is debatable; and in the long run may do more harm than good to the municipalities which are indulging in the practice.

In promoting private business with public credit, the municipalies take two risks: first, the municipality involves its credit with the inevitably fluctuating fortunes of private companies, and, second, it raises the cost of such financing through competing with other municipalities in the attempt to offer subsidies to these concerns.

That these risks are becoming more fully appreciated may be seen from the fact that the Florida courts this year declared it illegal for municipalities to finance capital projects to attract private industry. Such important organizations as the American Bar Association and the American Municipal Association have also placed themselves on record as opposing this type of municipal financing.

Holders of tax-exempt bonds generally are concerned because recent loose practices, if allowed to develop, may impair the negotiable status of those state and municipal dependent on special revenues. It would seem that so far as this type of security is concerned, it would be to the advantage of the issuing authorities to establish uniform codes that would prevent abuses. As a matter of fact, the time has arrived when the states and municipalities themselves should re-examine their basic statutes covering the issue of tax-exempts, and, where necessary, bring such legislation into conformity with present-day needs and obligations. They owe this to themselves and the investing public at large.

CANADIAN GOLD MINING GETS A HAND... Canadian gold mining is passing through one of the worst periods in its history. As a result of this calamitous situation, the government has been forced to come to the rescue as otherwise some important mines would have been compelled to suspend, in addition to the 50 odd that have closed since 1949.

For some time, Canadian currency had been selling at a premium over United States with the consequence that the average price of gold was reduced to $34.50 an ounce compared with $36.85 in 1951. For most mines, the increased government assistance will amount to an additional $1 per ounce. This cuts the effect of the drop in the value of Canadian gold in half and will tend to prevent further disruption of the industry, but in itself is insufficient to put gold mining in a profitable position. It is frankly admitted that the new aid, while benefiting mines still operating, will not provide the incentive to open mines already closed.

Further assistance by the Canadian government is not anticipated at this time, and many gold producers in that country believe that the industry will not get on its feet again until the United States government finally takes action on its own gold price problem. This is probably quite some time off in the future as more pressing problems than gold will keep the new Administration busy. There are some who believe, however, that the new government in Washington, when the time is more propitious, will give a more sympathetic hearing than has been true in recent years to those who are arguing for higher price levels for gold through a return to convertibility.

UNDER-SUBSCRIPTION FOR TREASURY OFFER ... The Treasury has encountered another disappointment in its recent offering of 2% certificates of indebtedness, in exchange for the 1⅞% certificates which matured Dec. 1. Investors subscribed to only about 82% of the total offered, approximately the same as in the case of the August 1 re-financing. The comparatively poor subscription results in both instances are all the more remarkable in view of the fact that the 2% interest rate for indebted- (*Please turn to page* 324)

As I See It!

By JOHN CORDELLI

"THE BEST LAID SCHEMES O' MICE AN' MEN GANG AFT A-GLEY"

A couple of months ago at the great congress of the Russian communist party, the great prophet Marshal Stalin took time to gaze into his crystal ball for the benefit of the faithful. What he came out with is such a neat forecast that, to some commentators, it sounded "like the communists cheering themselves up." What the prophet Stalin foresees is this: "The capitalist world" is on its last legs. The "Western monopolists", led by Washington, are faced with two problems: to divide the dwindling western markets with the rising newcomers, Germany and Japan, and to keep the "exploited" masses in Africa and elsewhere from rising against them. Sooner or later the capitalist powers "will fall out among themselves". The burden of rearmament and the world-wide business recession, which in Stalin's own words is just around the corner, are expected to speed up the process.

While the rivalries within the capitalist camp are growing and Western Europe is falling apart, the prophet Stalin is urging the faithful to resolve themselves to "peaceful co-existence" with the capitalist world — a co-existence which even the blindfolded must see is to be only temporary. Thus the great strategy of the Kremlin is to lull the West into a false sense of security and to play up the weaknesses of his adversaries.

"IT'S TIME TO CELEBRATE AGAIN"

Dowling in the N. Y. Herald Tribune

The idea, of course, is an old one. One of Mr. Stalin's great predecessors, who held sway over much the same area and who, incidentally, was the model for Milton's Satin in "Paradise Lost", Timur the Lame or Tamerlane, played the same scheme to the hilt. As one reads through Cothburn O'Neal's recently published book, "Master of the World", one is constantly struck by the resemblance between Stalin's and "bloody" Tamerlane's tactics. There is nothing new in Asia, not even a new story. "No man can maintain his strength forever, but weaknesses of men are eternally present . . . So, too, is it impossible for one man to increase his own strength to the strength of three; yet he can undermine and weaken the strength of ten thousand to less than the force of one." This was the Sura of Tamerlane, his life philosophy, which helped him to build an empire extending from China to Poland and southward to India.

It may be well for Mr. Stalin to ponder the fate of Tamerlane's great realm which was built not on moral leadership but on the weaknesses of Tamerlane's adversaries. The empire fell apart almost immediately after Tamerlane's death, as his many sons and many little would-be Tamerlanes fell upon each other, each trying to apply the master's formula for success.

As one reads about the recent hangings in Prague's infamous Pankraz Gaol, where so many Czech patriots were martyred before, one cannot help thinking about little would-be Tamerlanes—or rather, to be more exact, little would-be Stalins — well versed in the art of trickery and scheming, each ready to cut his comrade's throat. Obviously the schemes that the Kremlin is hatching to exploit its adversaries' weaknesses and to speed up the falling apart of the "capitalist world" are nothing in comparisons with the schemes that are being hatched within the communist realm — schemes that apparently aim at the very foundations of the Soviet empire. And one cannot but be reminded of the words of Scotland's own Bobby Burns, "the best laid schemes o' mice an' men gang aft a-gley".

We don't claim to know why the eleven top communists who betrayed Czechoslovakia back in February 1948 into Stalin's hands, paid the supreme penalty. Being Western and seeing that Czechoslovakia, industrially the most highly developed communist country, is being (*Please turn to page* 324)

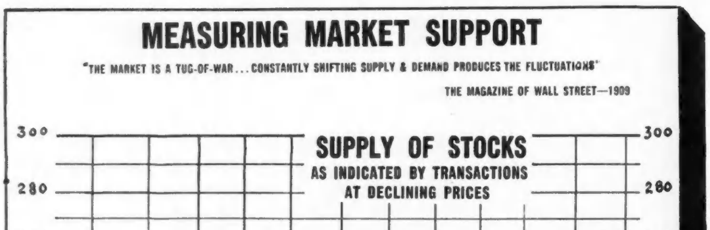
Prospects for Early 1953 Markets

The market eased slightly last week, following new highs, by small margins, made by the industrial and rail averages. The potentials ahead are not clear enough to argue for any all-out policy. You should continue a selective, middle-road course, holding partially invested positions in sound stocks, and reasonable reserve buying power.

By A. T. MILLER

The market's selective rise from the October lows, the bulk of which has been scored since the election, was carried further over the fortnight since our last previous analysis was written. However, increasing resistance was met last week after the Dow-Jones industrial and rail averages had recorded new bull-market highs on December 2 and November 28, respectively. Utilities moved sidewise during most of the period, following attainment of a double high on December 1 and November 19. On recent strength, trading volume was at the highest levels in many months, receding with the moderate easing in stock prices in recent days.

A pause here would appear to have ample justification on mere technical grounds, in view of the scope of the rise in a period of roughly six weeks. At the highs to date it footed up to 20.72 points in the industrial average, or roughly 8%; and to slightly under 11 points, or a little over 11%, in the case of the rail average. Tax selling is currently a factor in a good many stocks, which are still far down from their earlier highs; but does not figure as a general market weight because, with basic confidence given an important lift by the election, most sellers of stocks for tax purposes are switching the funds to other issues.

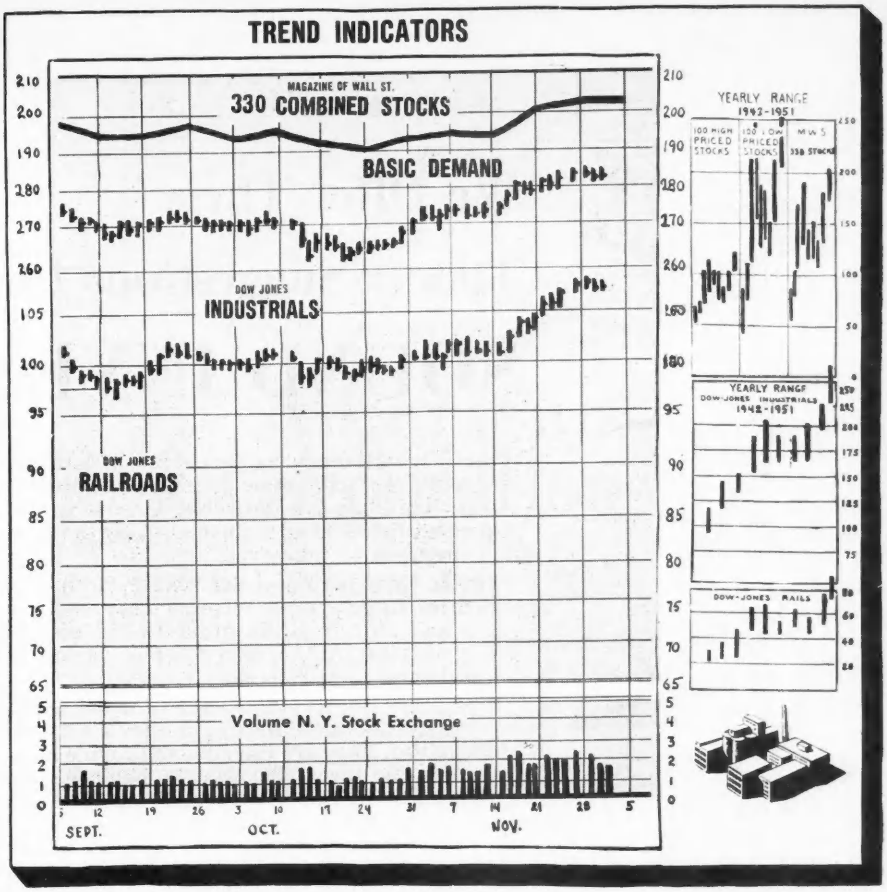


Year-End Seasonal Factor Favorable

Since tax selling has been an over-all weight in most years, there has usually been more market weakness than strength in late November and early December. Thus, recent strength has been contra-seasonal—a fact permitted by the upsurge in confidence generated by the election. It remains to be seen to what extent this might be at expense to the normal seasonal year-end improvement in stock prices. Year-end behavior is, thus, the next test. There is very strong precedent for at least somewhat higher stock prices during the first half of January than prevail around this time in December. The chances for such a further move would probably be enhanced by a corrective pause or dip, by way of consolidation, for a week or two at this point. If the year-end rise should prove a "flop", that would raise a question about the trend significance of this "new phase" of the bull market which, as a matter of fact, has as yet held only tentative promise. That is, the "penetration" of prior highs by the averages has been in modest degree so far.

The chart pattern of this bull market from its start in mid-1949 to the intermediate high of February, 1951, was more or less typical. The subsequent pattern has been far from typical, and is without precedent. Over this period of about 21 months the bull market lost vigor, up to this writing, in terms of net progress at each new high made by the industrial average. Following the February, 1951, high of 255.7 the next one was 263.1 in May, an extension of less than 3%; the next at 276.4 in September, an extension of about 5%; the

next, nearly a year later, was 280.3 in August, 1952, an extension of less than 2%; and the early-December high, at 283.8, an extension of less than 2%.



Technical Characteristics

Although it is a bull market by technical definition, for practical purposes it has for an uncommonly long time been decidedly more of a selective, limited-swing affair than a sustained broadly based advance. Each modest extension of it, measured by the industrial average, has involved a considerable shift in leadership. The highs of the weekly stock-group indexes to date have been more widely spaced than ever before, with many old highs—whether made early in 1951, in the spring or autumn of 1951, or on last summer's upswing – still not surpassed. In this so-called bull market, since early 1951, some stock groups have gone through what amounts to minor bear markets: for instance, drug stocks, rayon stocks and textiles generally.

Neither share volume, nor the number of issues traded, have at any time so far equalled the maximums reached 21 months ago. The general chart pattern has had the earmarks of a broad, rounding top—but over a much longer period than has been characteristic of such tops in the past; the sell-offs have not induced cumulative liquidation; and they have been only moderately less selective than the upswings.

Over-all business activity remains in a creeping upward trend, without the spark of "inflation sentiment", which has virtually disappeared. The consensus of business managers and economists is more or less confident about prospects for the 1953 first half. There is less inclination to try to time the long-anticipated post-defense slump; more of a tendency to hope—without prediction—that 1953 as a whole will be another good year. Regardless of the new Administration's longer-range plans, commitments already made imply that defense spending in calendar 1953 will exceed this year's. The Department of Commerce looks for total construction outlays to exceed this year's by a slight margin. Official opinion is that export trade probably will equal this year's. Surveys of corporate plans suggest only a small 1953 shrinkage in outlays for new plant and equipment. If these projections are right, disposable consumer income and spending will rise further; and average 1953 business activity will not differ significantly, either way, from that of 1952.

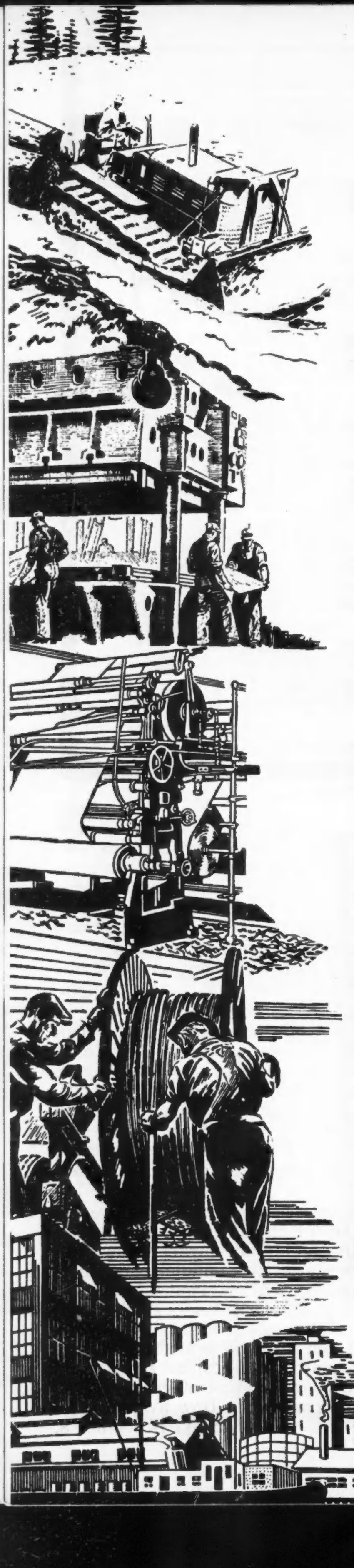
However, the fact is that nobody can project a 12-month business pattern with any certainty. It could be affected by a speed-up or a further stretch-out of the arms program, depending on unpredictable foreign developments and/or how Eisenhower handles the Korean war. It could be affected by coming budget and tax decisions. It could be affected by an increasingly restrictive Federal Reserve credit policy if the present "confidence wave" threatens to generate excess.

What the newly developed confidence factor can ultimately mean for stock prices is impossible to appraise on any analytical basis. In view of moderate price-earnings ratios and fairly good dividend yields, it might be considerable. In view of general recognition of the fact that we are in the upper reaches of the postwar boom, regardless of how far around the corner the adjustment may be, it might be rather limited.

The fundamentals, on a longer-view basis, are not sufficiently clear, either on the optimistic or the pessimistic side, to justify an all-out market policy. The sensible alternative is a selective, middle-road policy, neither too bullish nor too bearish. That means holding partially-invested positions in sound stocks, with reasonable reserve buying power. How you fare will probably continue to depend, as heretofore, much more on what individual stocks you hold than on what the Dow averages do.

—Monday, December 8.

Please turn to next page for a list of recomended securities for re-investment.



We Offer These Timely Suggestions for . . .

SOUND INVESTMENT

This is traditionally the period in which investors re-examine their security portfolios with a view to improving their holdings. A review of investments, while always desirable, is now particularly timely on account of important financial adjustments likely to take place as the new Administration prepares to take over.

In the vital period ahead, therefore, investors should re-appraise their securities to determine whether they still conform with their individual needs and objectives. In order to aid our readers in this task, we have prepared a carefully selected list of various classes of securities designed to meet these requirements.

The bonds and preferred stocks listed here are suitable for conservative investment and offer maximum yields attainable for this high-grade class of securities. They are intended to provide an exceptional degree of security, especially for those who wish to balance their common stock investments with issues that can be converted quickly into cash without undue sacrifice.

The common stocks which we suggest for investors' portfolios fulfill two purposes. One is to offer a list of sound "defensive" issues, as protection against a possible business recession. The other is to furnish investors with a list of sound "growth" stocks for long-range capital gains.

Bonds

	Coupon Rate %	Current Price	Current Yield %
Canadian Pacific Ry. Consolidated Deb.	4	103¼	3.87
Texas & New Orleans R.R., 1st & Ref. Mtg. 1990	3⅜	96⅝	3.49
Southern Pacific Co., Debentures, 1981	4½	103¼	4.35
Southern Ry., Dev. & Gen. Mtg. Series "A", 1956	4	100⅝	3.97

Preferred Stocks

	Dividend Rate %	Current Price	Current Yield %
Air Reduction Co., Cum. Conv. 4½%	$4.50	110½	4.07
Atchison, Topeka & Santa Fe Ry. Co., Non-Cum. 5%	2.50	56⅜	4.43
General Cigar Co., Cum. 7%	7.00	121¾	5.74
Virginian Ry. Co., Cum. 6%	1.25	29¼	4.27

Defensive Common Stocks

	Indicated 1952 Dividend	Current Price	Current Yield %
American Gas & Electric Co.	$3.00	65	4.61
American Tel. & Tel. Co.	9.00	157½	5.71
Beneficial Loan Co.	2.00	34¾	5.75
Chesebrough Mfg. Co.	3.75	72½	5.17
General Foods Corp.	2.40	51¼	4.68
Woolworth (F. W.) & Co.	2.50	43½	5.51

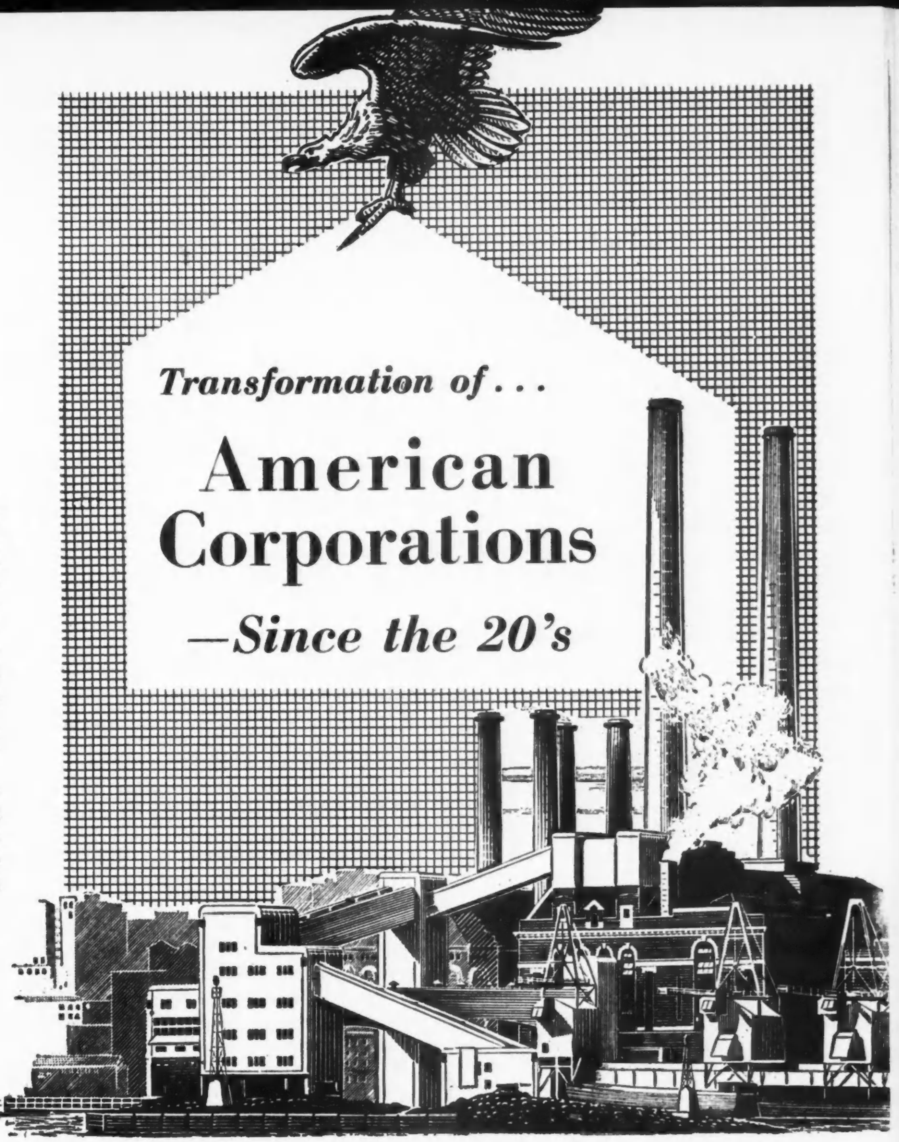
Growth Common Stocks

	Indicated 1952 Dividend	Current Price	Current Yield %
Allied Chemical & Dye Corp.	$3.00	75	4.00
General Electric Co.	3.00	69½	4.31
Phillips Petroleum Co.	2.40	57⅞	4.14
Radio Corp. of America	1.00	28⅞	3.46
Standard Oil of N. J.	4.25	74¾	5.68
Union Carbide & Carbon Corp.	2.50	66	3.78

Within the span of a single generation, the relation of the American corporation to the social as well as the economic life of the nation has been completely transformed. How this significant change came about is pictured here.

★

Transformation of . . . American Corporations *—Since the 20's*



By McLELLAN SMITH

The anti-trust division of the Department of Justice, in its current action against the Du Pont interests – now being tried in Federal Court in Chicago – seemingly has based its action on an obsolete concept of the American corporation; a concept which had validity three decades or so ago, but which is far afield from the true concept of today's corporation.

Apparently the Justice Department is blind to the great economic revolution which has taken place in America in the past generation; a revolution which has been reflected, not only in dynamic operating techniques of the great American corporations, but in the fundamental attitudes of these giant entities to their responsibilities to their stockholders, to labor, to their customers and to the communities in which they live–in short, their responsibilities and obligations to the entire nation.

This misunderstanding by the Justice Department has spread throughout the country – even abroad – therefore there is a distorted and unfair view of the real position which today's American corporation occupies in our modern, highly complex society. For this reason, it is of prime importance that we survey the massive changes which have taken place in the operation of our huge business enterprises, especially since the days when we did have a few dangerous monopolies, or Trusts, as they were called. In making a survey of those changes, it is essential that we try to comprehend the impact of those changes, and there have been many.

The Modern Industrial Leader

It is not beyond the memory of most of our readers that the cartoonists who would depict a corporation, or a corporation executive, sketched a corpulent, over-fed individual, crowned by a silk topper and sporting a gaudy vest bedizened with $ marks, while the smoke of his fat, banded cigar formed the $ sign. It may have been a fair characterization then, but it is far from correct today. Now, the cartoonist, with a desire for accuracy, would limn a slender, alert individual, perhaps graying a bit around the temples, modestly tailored and devoid of $ signs on his waistcoat, while his face would carry an earnestness indicating his acute awareness of his socio-economic responsibilities. Similarly, the modern cartoonist must change his presentation of organized labor. No longer to be sketched as an humble person in overalls wearing a square paper cap, today's labor executive is very, very similar to his counterpart in the corporate set-up, and easily mistaken for a top figure in the local, State, or National Chamber of Commerce.

These two cartoon sketches of capital and labor of yesterday may oversimplify an explanation of the handicaps of modern business and modern labor. Yet, the public still sees the cartoon figures of thirty years ago. The problem is on the serious side. Too many people believe that business and labor operate as they did when the late William Howard Taft occupied the White House, even when Woodrow Wilson piloted the Ship of State. Nothing could be more remote from the truth.

Abandoning the corporation executive of yesterday and today, and his sartorial habiliments in two

different eras, we turn to the corporate entity of the 1950s. It is immeasurably greater than its counterpart of so short a time as 30 years ago; greater in resources and productive capacities—unbelievably so in many cases—while its success or failure is of impressive import to large segments of the population.

Concern for Labor's Welfare

More than one-half the employed persons in the United States—excluding farmers and the self-employed—are on the payrolls of American corporations. This has produced a direct community of interest between management and labor—between the corporation and the individual, if you please. Because of the impact of this deep change in relationship, corporation executives often find themselves concerned with direct benefit to their workers in a manner that would have shocked most—not all—corporation chieftains of 20 to 30 years ago. Not to be forgotten is that today's corporation executive still has the continuing concern of producing dividends (profits) for some 8.5 million partners (stockholders) in these corporate entities.

If a corporation neglects the welfare of its labor, strikes or slow-downs ensue; profits go to pot; stockholders look for new executives. These economic "facts of life," plus competition, keep today's corporation and its executives "in line." These economic facts are far more potent than any Federal statute which says "nay, nay" to any proposal that a corporation take the steps and do things needed to advance the interests of its stockholders, its labor, its customers. It has been recognition of these factors which prompted American corporations to now do many things which would have ben sneered at some 25 or 30 years ago.

It was not too long ago that an executive of the U. S. Steel Corporation declared the company had a real desire for the safety of its employees. From his statement came the slogan "Safety First!" Not content with a mere slogan, the corporation moved to make it effective. At no minor cost to itself, and at no cost to its own labor, U. S. Steel hired experts to make studies of plant operations, to find safety methods—ways to avoid crippling accidents. The company went further, it supplemented, at its own expense, medical and surgical facilities for those employees who ignored safety precautions and got hurt some way or another.

Exchange of Information

What U. S. Steel learned about safety and how to avoid accidents was not kept locked away as a dark secret, but passed on to other corporations—some of them competitors—through the National Safety Council and through various trade and business associations in which the corporation had membership. What USS has done, has been done by other corporate "giants." They have maintained a free exchange of safety information although it is conceivable that a company with a minimum of employee injuries and fatalities could gain an advantage over a competitor whose employees had not been coached in safety measures. The roll call of other U. S. corporations who have done as U. S. Steel would be lengthy.

However, safety has not been this corporation's only concern for the welfare of its employees. In moving into new areas of operations, the company has built or caused to be built whole new communities, including homes, churches, schools, stores, gas, electric water and sanitary facilities—even providing competent technical management for these new communities, while employees exercised unfettered choice in the selection of the governing bodies of these new communities, such governing bodies functioning along the lines of any other American community which grew over the years rather than came into being "overnight" as did the corporation created town. This very thing is now in process at Morrisville, New Jersey, where U. S. Steel is readying one of the greatest production units ever known. Despite all of these activities, there are those in the anti-trust division of the Department of Justice—and in the Congress—who regard U. S. Steel as a "vicious monopoly." In doing so, they ignore the fact that U. S. Steel's output is a scant third of our whole steel production, compared with nearly 75 percent at the turn of the Century.

What U. S. Steel is doing at Morrisville, other American corporations have done and are doing in other parts of the Nation—even in other parts of the World. DuPont, currently under Justice Department's fire, is building our H-bomb plant in South Carolina—*at the monopolistic profit of one dollar.* The company has planned and is building a community which eventually will house close to 30,000 people, the exact figure being unavailable for security reasons. What is transpiring in South Carolina, goes on in other parts of the country, except that these other plants are not for the production of the lethal bomb.

Far-flung Corporate Activities

In the Pacific Northwest, for example, other corporations with big ideas and good merchandise to offer the public, are planning and building entire communities so that they may attract and hold desirable employees. To list the big American corporations who have built whole communities would require more space than is here available—General Motors, Ford, Firestone, Aluminum Company of America, Eastman Kodak, U. S. Rubber, Monsanto, to name a few—have either created whole new cities, or have paid out of pocket for such employee-community necessities as schools, churches, hospitals, utility systems, etc.

The anti-trust cynic who holds views of a past age sneers and says all of these activities directly, or indirectly serve the profit motive of the corporations. He is correct, 100 percent correct. But, benefits of these extra-curricular corporate activities reach far beyond the corporation itself, extending to the customers of the corporations and to the customers' customers in the forms of better merchandise and better service at lower prices than otherwise would be possible. But these extra-curricular activities are not limited to building whole towns for employee – hence company-benefit – they extend even into the fields of culture; music, entertainment, education.

The Association of American Railroads, representing the rail carriers of the Nation, sponsors one of the finest musical programs on the radio; U. S. Steel's Theatre Guild of the Air gives everyone, rich and poor alike, the finest in the field of drama, while a host of other big corporations sponsor some of the best radio and television shows on the air. Cost of these prgrams is fairly charged to advertising, a direct corporate benefit, yet millions of people who

are not direct customers of the sponsoring companies are culturally enriched.

None of the foregoing has been written in defense of American corporations. Rather, it has been laid out to point up the change in corporate thinking which has come about in the past generation. This change has been brought about by the simple fact that in the United States it is impossible for any single firm or individual to enjoy a monopoly on a product or service for any serious length of time. Individual initiative and competitive research are ever bringing forth something new to make yesterday's marvel obsolete. Thus monopolies become fleeting dreams. And, as the new products come from the minds of men, or the research laboratories of the corporations, new industries come into being, new employment becomes available for countless thousands and the economic wealth of the nation moves up another notch or two. What benefits General Motors, DuPont, Standard Oil, Alcoa, or the other giant corporations of America (octopuses in the dialect of the demagogue), benefits tens of thousands of smaller business ventures, and millions of individuals.

No Monopoly

Not because DuPont is currently under attack by the anti-trust division of the Justice Department, but because we find an excellent illustration of what corporate initiative and research does for the overall economy, let's have a look at nylon, a DuPont product. Popular fancy connects nylon with feminine hosiery and its attractive "contents." Ten years of research – at times bitterly disappointing–and over $20 million were necessary to the commercial production of nylon, superior in many ways to the silk of oriental countries. The story of DuPont's nylon is typical of American corporate enterprise. It would fit dozens of other companies and their developments, requiring only a change of company names and products, and end uses of the latter.

Testifying in 1949 before a House Judiciary subcommittee investigating alleged monopoly power, DuPont's president Crawford H. Greenwalt forcibly illustrated the benefits corporate bigness brings to small business and to countless individuals. He displayed $1.92 worth of nylon staple as sold by DuPont, and DuPont only sells the staple–does not process it. That $1.29 package of nylon staple ended up as a $49.95 dress. Between the small amount DuPont received and the final retail price of the garment was the independent manufacturer who converted the staple to yarn; the weaver who made the yarn into cloth; the finisher who dyed the cloth; the designer and cutter who made the dress, and the retailer who finally disposed of the garment. Between DuPont and the purchaser were five operators, none owned or controlled by DuPont who gave them the means of making a livelihood. And, incidentally, nylon dresses can by-pass the dry cleaner, yet DuPont is one of the largest manufacturers of cleaning fluid in the United States.

There are other giant corporations in every field of production, there is no need to catalog them here. Like DuPont, they have created vast new employment in their own plants, and made it possible for tens of thousands of smaller businesses to come into existence, either as processors, distributors and retailers of the big companies' products or as suppliers of materials and parts the big companies need. Ford, General Motors, Westinghouse, General Electric and dozens of others buy literally billions of dollars of component parts of their products from more than 125,000 suppliers, 98 percent of whom are small businesses within the accepted definition of a small business – one employing less than 500 persons.

Thus we see that today's American corporations, the really big ones, instead of being producers of wealth for the sole gain of their stockholders produce wealth for small

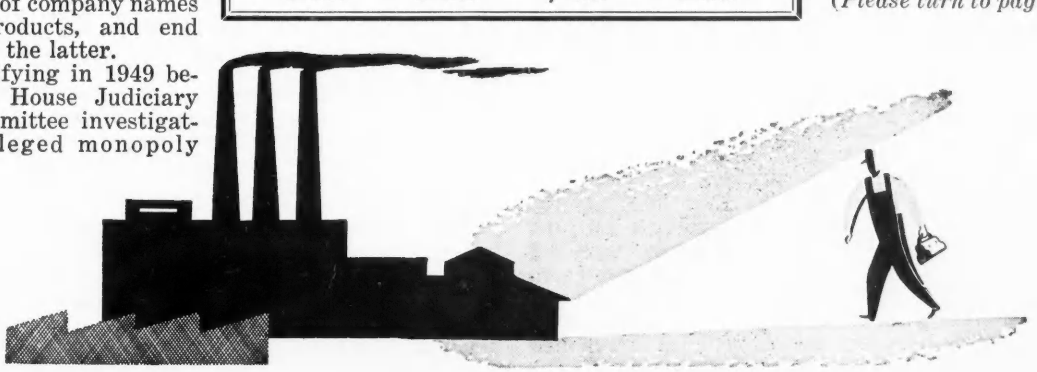
(*Please turn to page* 320)

Corporate Growth in Employees & Stockholders

25 Leading Corporations

	1901		1951	
	Stockholders	Employes	Stockholders	Employes
Amer. Tel. & Tel.	9,203	55,369	1,092,433	648,459
Bethlehem Steel	y95,507	4,882	101,622	152,578
Chrysler Corp.	y50,823	y25,800	78,800	114,850
Cons. Vultee Air	z800	z930	10,793	52,350
du Pont de Nemours	6	a8,312	114,989	86,878
Eastman Kodak	y39,014	y21,100	69,520	49,400
Firestone Tire	5	24	17,734	83,170
General Electric	3,170	2,000	254,180	210,200
General Motors	x6,687	a11,474	478,924	469,197
Goodyear Tire & Rubr.	y46,025	....	44,693	83,810
Int'l Harvester	227	20,000	70,426	93,461
Int'l Tel. & Tel.	x846	x900	54,912	94,000
Montgomery Ward	y68,236	y21,573	68,168	60,300
National Dairy Prod.	x1,186	x2,100	63,797	43,399
N. Y. Central R.R.	x34,328	56,488	47,582	108,981
Pennsylvania R.R.	24,531	72,193	179,908	137,604
Radio Corporation	x26,909	y13,917	176,592	57,657
Republic Steel	y30,000	y30,000	65,229	59,545
Southern Pacific	y55,929	y91,110	51,424	83,033
Standard Oil (N. J.)	3,832	y43,453	253,515	116,000
Swift & Co.	y3,627	20,000	64,500	76,000
United Fruit	1,608	y73,488	63,216	91,302
U. S. Steel	y238,177	y53,619	256,630	301,328
Westinghouse Elec.	y54,158	....	103,252	108,654
Woolworth (F. W.)	y41,138	y64,333	83,955	95,923

a–1911 x–1921 y–1931 z–1933



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Which Groups Will Benefit from New Administration

By WARD GATES

The new Administration in Washington is expected to effect far-reaching changes in financial and economic policy-making. These changes will be translated into important legislation. Some of the new laws will not be long in forthcoming, others later, and some much later. No matter how brief or long the interval, the results are bound to be important to business, in general, and to investors, in particular.

It is generally assumed that the new government will adopt a more conservative approach in its handling of the basic problems of the budget, credit, taxes and controls. This has very direct implications as to the future status of our currency and, undoubtedly, forecasts a return to a government philosophy that will facilitate a sounder money system than we have had in the past two decades.

One of the first results of the erection of a sounder money policy will be to create greater confidence in the possibility of long-range business and investment planning. Another will be to create a more confident set of values for earnings and yields.

A remarkable feature of the New Deal insofar as it affected the investment markets was that, despite high business profits created by the war and post-war periods, investors did not value these earnings too highly as evidenced by the generally low ratio of market price to earnings during this period. This anomalous situation, which has been commented on freely in the past few years by students of market affairs, has been the direct result of unpredictable policies of the previous governments, which, in turn, affected investment confidence and, hence, the price of shares. It can very well be that a return to sounder currency would result in restoring a higher basis of valuation for equities in general. From this it may be seen how essential an ingredient in investment confidence is faith in government policy.

It may be accepted that the national budget will be smaller over the next few years barring the outbreak of war, that this will coincide with more orthodox credit policies and a decline in both corporate and personal taxes.

Gradual Transition Probable

The transition, of course, will be gradual, as it is not likely, in view of the continuing world crisis, that present federal programs will be summarily uprooted. Nevertheless, the course should be set as indicated above judged by the known attitudes of the men who will run the government in the next four years.

While the longer-range over-all consequences to business men and investors of the expected government moves cannot be determined precisely at this juncture, it is already possible to make a start in evaluating the effects on certain divisions of the securities markets. This is because of growing appreciation of the nature of the direct impact which concrete government moves on taxes, controls and credit in the comparatively near future are likely to have on these groups.

There are five general industrial groups whose prospects are likely to be fundamentally strengthened by financial legislation of one sort or another which in all probability will be enacted some time during 1953 or through relocation of controls. These are (1) the public utility, natural gas and tidelands oil companies, (2) bank shares, (3) companies with a high rate of excess profits tax payments, (4) companies to benefit directly from the ending of controls and excess profits taxes, and (5) the gold shares.

Less Government Intervention

With regard to the public utility group, the important thing to recognize is that the new Secretary of the Interior, Gov. McKay of Oregon, represents that conservative viewpoint which is opposed to any further extension of federal authority over hydroelectric power. There is no doubt that this appointment is symbolic of the fact that companies will receive a more sympathetic hearing in Washington,

and that while they probably will not be unduly favored, nevertheless they will be able to operate in a climate limiting government intervention. This latter has been one of the great handicaps to the industry in the past twenty years and its removal should tend to increase investment confidence in this group.

More Liberal Attitude on Rates?

More concretely, the conservative approach of the government should percolate down into the state public utility authorities who have not been over-generous in recent years in granting needed rate increases. This has been particularly harmful in the newer regions of the West, for example, where rapidly growing population needs for power have been met with difficulty, owing to the comparatively low rates set by the public utility authorities.

The same situation holds true of regulatory bodies enforcing natural gas and pipe line rates. It is expected that the hitherto comparatively rigid attitude of these officials on rates chargeable for these services will become gradually modified where warranted by joint public and private company interests. Sensational results in profits are not to be expected but at least the companies will feel satisfied that they are receiving more equitable consideration, and this should provide a better basis in any future financing.

Companies with off-shore oil properties (so-called tidelands oil companies which we covered at length in our last issue) should be benefited in the long run with reversion of authority over these properties to the states. Owing to limited space, we have been able to mention only several of these companies in the accompanying table. Others are Pure Oil, Phillips Petroleum, Superior Oil of California, Atlantic Refining, Cities Service and Continental Oil.

Outlook for Bank Shares

Bank shares should be benefitted as the Reserve Board finally is permitted to assume its full functions and money rates reflect the true market instead of tight Treasury control. Such changes will be allowed to develop only most gradually in order not to upset the government bond market, but with a more natural money market, banks will be able to obtain somewhat higher interest, a vital factor in their earnings. For this reason, it is possible that bank shares may regain, at least in part, some of the favor which they once enjoyed. They have already been reflecting this improved outlook since the election.

Possible Changes in Tax Laws

Among the principal beneficiaries of expected changes in the tax laws, will be those companies on whom heavy excess-profits taxes are being levied. These, in many cases, amount to thirty, forty and fifty percent of earnings left for the company. Obviously, elimination or even reduction of this tax would be a distinct gain to those corporations affected severely by this tax. Some are listed in the accompanying table but the list could be enlarged manyfold. Growth companies especially have been affected as it has deprived them of large sums of cash which they could have used to promote their products and expand their plants. Companies in the newer industries, for example, such as TV, electronics, plastics, synthetic fibres, etc., would be especially benefited.

Other groups will be aided by changes in tax laws and federal controls are those which have been handicapped by severe regulation, especially in tobacco and food products; also those which have been especially affected by last year's increases in excess profits tax, such as tobacco and liquors. Every indication points to an early ending of price controls on most if not all commodities. With the ending of controls, the tobacco and food product companies will be able to operate in a free market. It is also clear that the elimination of the last rise in excise taxes would do much for the depressed liquors. The tobaccos, of course were also affected by higher excise taxes, so that they will enjoy a double benefit with the elimination of price controls and a reduction in excise taxes. Lower admission taxes on movies would also help that depressed industry.

Gold company shares may be benefited from the change in Administration but this may take a considerable period in which to be realized. Any upward revaluation in the price of gold would, of course, be a stimulant to this group but it is doubtful that such action will be taken without full consultation with allied governments. The prevailing complexities are so great, however, that favorable action toward gold cannot conceivably be taken for many months to come. On the other hand, fundamental conditions point to such an eventuality, though in the more distant future, and this background may offer greater support to gold shares generally.

Groups Likely to be Favorably Affected by New Government Fiscal Policies

	Recent Price	Indicated Div.	Div. Yield	Price Range 1951-1952
Companies Especially Affected by Excess Profits Tax				
Clark Equipment	62	$3.00[1]	4.8%	62½- 31¼
General Electric	69	3.00	4.3	70½- 49½
General Motors	63	4.00	6.3	64½- 46
International Harvester	32	2.00	6.2	37⅜- 29⅞
Lilly-Tulip Cup	69	2.50	3.6	71¾- 39
Republic Steel	42	4.00	9.5	49½- 35⅝
Sperry Corp.	42	2.00	4.7	43¾- 26¾
U. S. Steel	40	3.00	7.5	47¾- 37⅛
Bank Shares				
Bankers Trust Co.	52	2.00	3.8	53½- 42
Cont. Ill. Bank & Tr. (Chic.)	90	4.00[1]	4.4	91¼- 68¾
National City Bank	51	2.00	3.9	53⅜- 43½
Tobacco and Beverage Companies				
American Tobacco	64	4.00	6.2	68⅞- 59
Coca-Cola	111	5.00	4.5	132 -100¼
Liggett & Myers	73	5.00	6.8	79 - 61⅛
National Distillers	21	1.75	8.3	37¼- 19½
Gold Mining				
Homestake Mining	37	2.00	5.4	42¾- 33⅝
Lake Shore Mines	8	.30	3.7	14¼- 7⅛
McIntyre Porcupine	68	3.00	4.4	83½- 49¾
Public Utilities and Tideland Oils				
El Paso Natural Gas	35	1.60	4.5	38¾- 23⅝
Northern Natural Gas	43	1.80	4.2	45¼- 31½
Pacific Gas & Electric	38	2.00	5.2	38⅜- 31⅞
Puget Sound Pr. & Lt.	22	.80	3.6	23½- 17
Socony-Vacuum Oil	35	2.00	5.7	40⅝- 25⅛
Standard Oil of Indiana	73	2.50	3.4	92 - 59

[1]—Plus stock.

EISENHOWER APPOINTS NEW MEN

By "VERITAS"

APPOINTMENT which didn't even exist a dozen years ago—that of chief assistant at the White House—now shoves the secretariat into the background and will take an even greater importance next month. Gov. Sherman Adams of New Hampshire, who'll fill the position, will bring something of the Calvin Coolidge attitude into the Executive Mansion but he'll find more than a porch has been added since his fellow-Yankee once gave cash awards (small ones) to White House personnel for suggesting economies. The staff is roughly 10 times as large today.

> ***WASHINGTON SEES:***
>
> With a very substantial part of American securities (some market students say it is majority control) in the ownership of women, it seems fitting that one of the federal jobs which loom largest in the determination of what part of the earnings go to the Treasury will be filled by a woman under the new administration. Mrs. Oveta Culp Hobby as Administrator of the Federal Security Agency will have responsibilities and discretion not approached by most of the Cabinet office holders.
>
> In spite of the fact that the post is of recent creation it has zoomed to important heights. In it are grouped all federal agencies concerned with health, education, and social security—operative, policy making, and planning. Current expenditures are $1.5 billions. Military agencies dwarf that disbursement, but the point of importance is that the country has under active consideration a public health program, federal aid to education, broadened social security—all of these come under the direct jurisdiction of the FSA head.
>
> Private enterprise long ago tested women in high executive position, but their progress in government has ben retarded by the "man's world" notion. Each year, lately, more have been taking office via elections or appointments. Mrs. Hobby is eminently qualified: newspaper publisher and radio station executive, lawyer, organizer and wartime head of the WAC to name a few of the attributes the wife of a former Texas Democratic governor will bring into the Republican administration.

CONCENTRATION of broad powers in the White House began under Roosevelt, was continued by Truman, and won't be given up by Eisenhower. Naturally the job of administration has increased with the expanding scope of activity. That's why it now takes three Presidential secretaries and an "assistant President" to do the work which falls into the general categories assigned to one secretary in the Coolidge days. Branches of the White House staff now operate miles away from the Executive Mansion even though 1600 Pennsylvania Avenue has been enlarged.

CRITICISM that President-elect Eisenhower is producing too many "unknowns" for his appointive jobs had to be expected. Many of them are relatively unknown—in the sense that the Democratic administrations have been around for 20 years and the administrators have been in the public prints and eyes nationally while Republicans have operated chiefly in the atmosphere of the state houses. Washington newsmen recall, however, FDR's appointive announcements when he took office. They sent the scribes to Who's Who—many of the trips fruitless.

BI-PARTISAN aspects of the incoming administration are worthy of examination and attempted appraisal. Long-time Democrats who say "we didn't leave the party; the party left us" are regularly on the Eisenhower calling list. They're of the conservative wing—Senator Byrd of Virginia, Lewis Douglass, former Democratic member of the House and until recently Ambassador to London, are outstanding examples. Their importance to the new Administration must not be under-estimated. Byrd has important following the Senate. His interest in the new administration means that Ike can count on votes that materially change the outlook for legislative action in a Senate which, on paper, is almost exactly evenly divided.

As We Go To Press

Investors and taxpayers as a group have been given reassurance by Ike's selection of Cabinet personnel and the White House "family." Naturally there is some disappointment on the part of men who thought they'd make the team, but that is natural. Every part of the country appears to be represented to the extent that such a performance is possible within the number of appointments to be made. It must be agreed that the Dewey faction of the GOP came out on top but analysis of the nominees and appointees shows that the Taft wing fared well in point of important posts. The Treasury secretaryship for example.

The Cabinet is not the one Senator Taft would have selected if he were the successful nominee of the Republican party. That doesn't mean that the Ohioan won't work along with the new President's choices notwithstanding his blast on the Secretary of Labor appointment. The nickname "Mr. Republican" is no accident. And there is still a large appointive area available to make Taft happy, and undoubtedly, overtures will be made to him to retain his confidence, give him the will to work with the White House, Treasury, and Budget Bureau in the fiscal fields.

Until the new President sends his first State of the Union message to the Capitol appraisal of his views can be but speculative. That he will be friendly to business can be safely assumed. Representatives of business who came out of Morningside Drive conferences appeared happier than the laborites who went to the Eisenhower residence in even larger numbers than those of management. In Washington circles, the offices of the National Association of Manufacturers and of the U. S. Chamber of Commerce are presenting genuinely smiling faces for the first time in two decades. CIO and AFL headquarters are not so cheery. For one thing, any prospect of Taft-Hartley Act repeal is out the window. Whether repeal of the law actually had rank-and-file support is questionable. The "leaders," however, believe it had, assumed regular "reports of progress" were enough to keep the dues-payers in line.

Forecasts of large-scale relaxing of price controls on food commodities have been shown to be well grounded. In fact the execution of the policy in its early stages resulted in the resignation of Tighe Woods, Administrator, who thought things were moving out of control too fast. When the statutorily fixed expiration date of the present law is met -- April 30, next year -- the reach of the control will be narrowed to almost none.

Reasoning behind the move is that congress would be expected to sidetrack the program if OPS didn't throw the switch. Coming to a halt while operating under full steam would cause serious disruption of the national economy, the White House was convinced by bi-partisan experts. Administrator Woods wasn't fully convinced, was overruled. He wanted more, not less, control; refused to acept the validity of studies made by his own agency which revealed that many food commodities are selling below ceiling prices today.

Prices of farm real estate will probably continue upward into 1953, but the rate of progression will be slowed when compared with the 1950-1951 period. Analysis by Don W. Reed, president of the Institute of Farm Brokers, is this: "In the 12-month period ending July 1, 1951, farm real estate prices advanced more rapidly than for any other similar period in our history. For the past decade or more, farms have been generally under-capitalized on the basis of their present earnings."

Warning signal in that zone of investment is flown by some agricultural experts. Need for farm management services is great and not yet met in even limited way, they say. The Doane Agricultural Service has completed privately-financed survey and declares a 27 per cent tenancy of available farm lands and that most of this land is not under competent management. But these findings have not altered the sanguine predictions of the Farm Brokers. In fact they're citing statistics showing that industrial construction

outlays already are dropping off and lacking a shooting war will fall into a sharp decline. Purpose of these recitals, naturally, is to show a relatively favorable agricultural position.

Buck Rogers will remain a comic page character and so will the tools of his fascinating appeal to minds adult as well as juvenile. Major effects of atomic energy on industrial production will be gradual and indirect as was the development of the internal combustion engine, says Dr. William Lee Davidson, director of the Office of Industrial Development of the Atomic Energy Commission. Continuing: "I cannot foresee the day when automobiles will be fueled by a small atomic pill, nor will everyone have a small atomic furnace in his basement running along merrily for a lifetime without refueling."

Certain for congressional consideration -- and action -- is reduction of the tax rate on domestic distilled beverages. Indications are that the high rate has brought the Treasury intake past the point of diminishing returns. In fiscal 1951, take from booze was $1,574,472,600; in fiscal 1952 it was $1,404,251,860, a decline of $172,220,740, or 12.3 per cent. Theater admission taxes also dropped -- $346,491,715 in fiscal 1951 to $330,782,072. The loss of $15,709,643 is attributed to television competition.

Their bosses are out of the city, mostly recuperating from tough re-election campaigns, but staff economists of the Congressional Economic Committee have been outspoken in their predictions that inflationary pressures will be felt at the price level for several months to come. That suggestion quarrels with the findings of the committeemen they serve -- for the most part, that is; not completely.

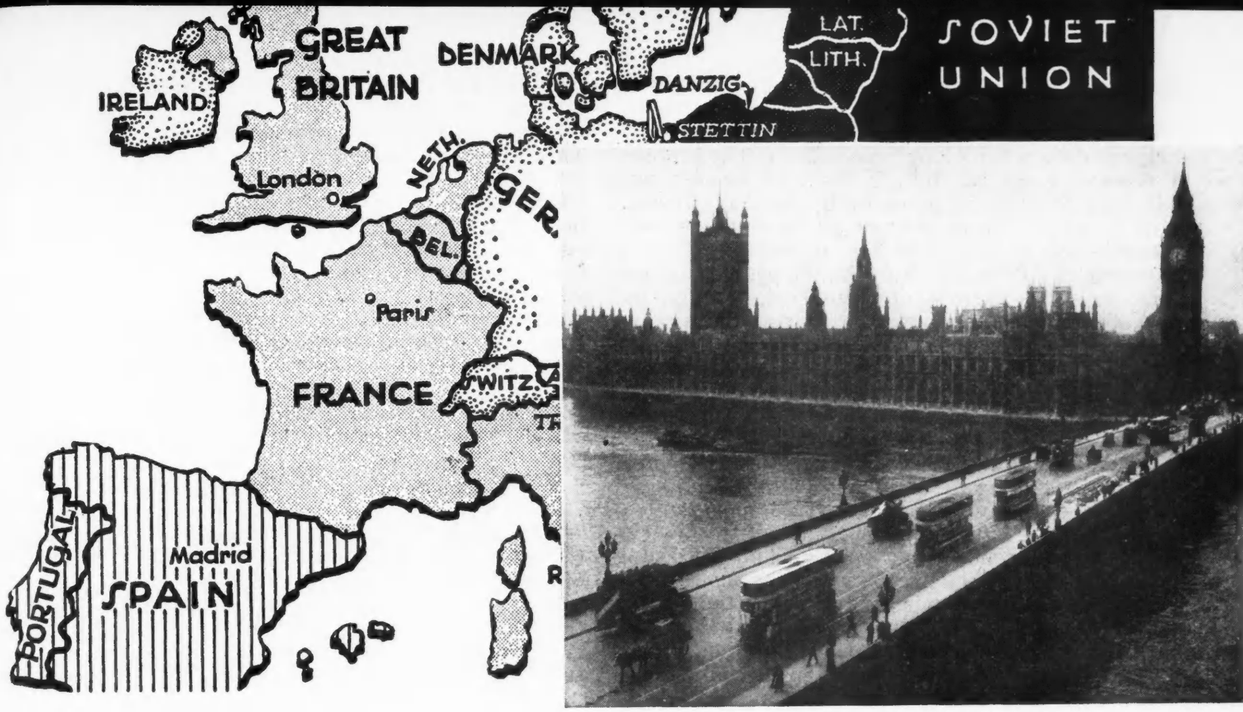
These views were expressed in an interim report filed by the staff with the committee. Obviously because the congressmen wanted justification, a new series of studies has been launched. The clash is quite pronounced. Ordinarily the lawmakers rely to a large degree, if not totally, upon the studies of the career men who make the surveys, adopt them as their own, usually pontificate upon the findings of others. This time, possibly because of the change of Administration, they are moving more cautiously.

As a parting gesture before losing control, present majority members of the Senate Committee on Government Operations have taken issue with the claims that adoption of the Hoover Commission report on government organization would save billions, already have saved $4 billions. Widely quoted has been the statement that a $10 billion saving could be brought about. "Unsubstantiated estimates," and "extravagant claims" said the committee members, supplementing those analyses in an 86-page report.

Filling a long-recognized need which few realized more acutely than General Eisenhower did in the early days of World War 2, is the proposal for creation of a national reserve of machine tools and certain other key production facilities essential to the manufacture of armament. The idea is not new. It has been recommended before; everybody appeared to agree it was elementally sound planning, but nothing happened beyond the filing of reports.

Defense Mobilizer Fowler has moved the project beyond the talk stage by persuading President Truman to recommend it to congress for the necessary approval—an appropriation of about one billion dollars would be involved in the long-range plan although it would be spread over 10 years and the impact of a billion would not be as hard as the term sounds--even in this community which should be accustomed to it by now.

Practice has been to stand by a production bottleneck until solution was reached by a new flow of needed, special-usage machine tools. A highly specialized industry cannot be expected to stay at capacity production when orders aren't coming in. Personnel training, too, is a factor that counts against ready inventory and speedy replenishment. The Fowler idea is to encourage a constant operation. If the idea takes hold on Capitol Hill it probably will become a permanent part of the defense establishment. While it sounds, and is, costly Fowler is prepared to prove that over the long haul it would actually result in economies, give better spread and utilization to some scarce metals. Those points are likely to interest the congressmen.



Our Problems with . . . Britain and France

By V. L. HOROTH

A well-known writer on international affairs once wrote that the Marshall Plan had served as "a rental of time." Time had to be purchased to help with the reconstruction of Western Europe and to avoid a serious lowering of the standard of living. Otherwise, spreading demoralization would have provided breeding ground for communism. But dollars cannot be substituted for ideas and action indefinitely. While no one denies the need of our contributing to the NATO, the usefulness of economic "handouts" is running out. In fact, as the London Economist expressed it, there is a threat of their "corrupting both the Europeans and the American Congress and turning an alliance of self-respect into a confederacy of clients."

On this side of the Atlantic, one of the first jobs of the new Administration, bound by pre-election promises of balanced budgets and tax relief, will be to re-examine "the practice of using subsidies to other countries as an instrument of national policy, to speculate on how long they may be needed, and to assess the benefits and burdens that they bring to American people."

Investigation, no doubt, will find that the major object, the rehabilitation of Western Europe, has indeed been accomplished. But it may also reveal that American aid, instead of promoting, actually postponed taking of measures that would engender confidence in the major West European currencies. Our aid was the umbrella that permitted much of the socialist planning and experimentng, discouraging not only European but also American private capital from participating in West European rehabilitation. To top it all, our aid facilitated at times the flight of European capital to these shores.

While the American taxpayers are asking for a re-examination of the aid problem, on the other side of Atlantic the recipients of the aid are no longer enjoying the role of the poor relation. In Great Britain, the view is gaining ground that the continuation of the economic subsidies merely serves to obscure the grim reality that the country is not earning its living. Moreover, Western Europe seems to be irritated by our constant prodding and advising, but feels that she must toe the line as long as she is on our dole list. For example, France resents bitterly our meddling in her North African affairs.

In general, it seems that the giving and receiving of charity fails to promote mutual respect and that a more permanent solution of our economic relations with Western Europe must be sought, if our association with the other NATO powers is to be put on a healthier basis. "Trade, not aid" is the slogan coined in Great Britain which is now echoed throughout Free Europe.

Financing Dollar Gap

What do the economic subsidies to Western Europe involve? Generally speaking, they involve the financing of the "foreign dollar gap" in Western Europe's payments with us. This gap this year was around $2 billion, but it may be larger in 1953, depending upon the size of the Western European defense effort. The larger the effort, the more raw materials need to be imported; also personal incomes are larger and the tendency to import foodstuffs and consumer goods increases.

No one questions our continuing military aid or some economic aid to Austria and Greece. Because

of the ban on East-West trade, Austria cannot help being dependent on dollar sources of raw materials and foodstuffs. Barring a complete reorganization of Austrian economy, the country cannot hope to earn sufficient dollars for a long time to come. The problem in Greece is similar, but, if the new Government of General Papagos is successful in carrying out some of its program, the amount of aid to Greece should be considerably reduced in the future.

Outside of Greece and Austria, the problem of economic subsidies narrows down to Turkey, Italy, and the Netherlands, and, above all, to Great Britain and France which are the two countries devoting the largest proportion of their resources to armament. The rest of the European countries could dispense with our economic aid with little inconvenience to themselves.

The dollar gap in French foreign trade is at present running at the rate of about $600 million a year, and Premier Pinay feels that in 1953 more will be needed—at least $700 million—because of the deterioration of the French trade position and the rising armament effort. The latter amount does not include our military and economic aid to French Indo-China and direct military aid to France, which may cost the American taxpayer another $700 million.

The dollar gap of Great Britain proper during the first half of 1952 was running at an annual rate of about $400 million. During the third quarter, the gap narrowed and was offset by dollar earnings of the overseas sterling area countries. But the present balance in pound sterling-dollar transactions is a fragile affair and may be disturbed by business recession here or a drop in the prices of the sterling area commodities.

Monetary Discipline Essential

The question that poses itself at this point is: Can France and Great Britain close the dollar gap in their payments without recourse to American subsidies? The answer is that this *can* be done, but not without: (1) France and Great Britain putting their economies on a competitive basis which would permit free and multilateral movement of goods and capital. This will mean dealing with the problem of internal inflation and living within the available means. It will mean the removal of exchange controls, import licensing, and all other protective devices which are cushioning inefficiency and stand in the way of industrial adaptability. First and foremost, however, this will mean monetary discipline and the earliest possible restoration of the convertibility of the pound sterling and the French franc; (2) An effort on the part of the United States to enable foreign countries to earn dollars which up to now have been supplied from the pockets of American taxpayers by means of U. S. Government handouts.

U. S. Net Grants and Credits to Great Britain and France

(in millions of dollars)

	U. S. Aid to Great Britain Grants	U. S. Aid to Great Britain Credits	U. S. Aid to France Grants	U. S. Aid to France Credits
Wartime period	$23,587	+ 317	$1,770	......
Before ERP	—552	+4,281	203	+1,881
1949	976	— 22	738	— 29
1950				
1st Quarter	193	+ 1	143	— 9
2nd Quarter	221	+ 12	133	......
3rd Quarter	114	+ 2	85	— 6
4th Quarter	128	— 19	119	— 2
	656	— 28	481	— 17
1951				
1st Quarter	89	— 9	84	......
2nd Quarter	47	— 10	131	+ 2
3rd Quarter	33	— 18	82	— 28
4th Quarter	47	— 49	104	— 2
	215	— 86	427	— 28
1952				
1st Quarter	16	5	81	12
2nd Quarter	148	47	76	4
Total through 6/30/52	$25,491	4,769	$4,226	2,024

Clue to Arresting French Inflation

But before France is put on competitive basis and the French franc is made convertible, there will have to be a determined desire on the part of Frenchmen to end the chronic inflation which got its start during the war and which has been fed ever since by budgetary deficits incurred for reconstruction, the war in Indo-China, and the cost of a huge bureaucratic apparatus. Yet, compared with Great Britain or the Netherlands, France's postwar troubles have been relatively simple. Industry and agriculture have been balanced, there has been no unemployment and no necessity for re-arranging the structure of the country's economy, which has been the problem elsewhere in Western Europe.

The clue to the problem of arresting inflation in France is political rather than economic: basically it depends upon the balancing of the budgets and in turn on efficient collecting of taxes. The postwar financial history of France is the story of one economic group, shoving the responsibility for paying taxes on another economic group, with the result that the French Governments have been forced to finance their mounting costs largely by deficits and by means of the business turnover tax and indirect taxes, which are harder to evade. For example, during the current fiscal year some 70 per cent of all fiscal contributions in France come from indirect taxes. Only 30 per cent stem from direct taxes on incomes and business profits as compared with 80 per cent in the United States. Last year tax evasions among the upper brackets and among farmers (only 50,000 or so French farmers paid any taxes) was so successful that the income taxes brough in the equivalent of less than $2.5 billion. Yet at the same time the American taxpayer is asked to contribute some $1.5 billion in economic and military aid to France and her Indo-China forces.

Nor should it be overlooked that indirect taxes on food, wine, and business turnover directly contribute to inflation by raising prices. In progressive France, as in backward Iran, it is the poor that carry the burden of taxes. It is no wonder, in view of this, that one-third of the nation still votes communist and that wages have to be raised two, three times a year. But this is only one feature of the budgetary system that Premier Pinay is seeking to reform. The other is the enormous burden of pensions. There is indeed no other country where the gainfully employed must support as vast an army of pensioners of all sorts as in France.

The conclusion is that the stability of the French

franc could be bought relatively inexpensively, (1) by a successful tax reform that would put the onus of the tax on those in the higher income brackets—the farmers and the businessmen, and (2) by avoiding deficit financing through bank credit. The return of confidence in the franc should, after a period of time, bring about some dishoarding of dollars and gold, at present the chief investment medium of the French public. This would permit repletion of French gold and dollar reserves which are extremely low.

British Problem More Complex

The problem of putting Great Britain on a competitive basis and restoring the convertibility of the pound sterling is much more complex than that for France. Unlike France, where tax collections account for about 25 to 27 per cent of the gross national product, Britain collects 35 to 40 per cent of the gross national product as taxes, and the tax burden could not very well be raised without crippling the incentive to produce.

Britain's problems stem primarily (1) from an attempt to do too much in the way of reconstruction, modernization, the maintenance of certain living standards and a high level of welfare services, and (2) from too much rigidity on the part of the country's economy to adjust itself to the changes in international markets. Moreover, as banker for the sterling area, Great Britain is also affected by the economic condition of the sterling area countries in a rather curious way. When prices are high and the overseas sterling area countries are able to earn dollars, British industries suffer from adverse terms of trade, i.e., from the high costs of imports. When the situation is reversed—as it is now—and the raw material prices are low, the cost of Britain's imports goes down, but the overseas sterling area's dollar earnings fall off and they become poor customers for British goods.

For Great Britain to live within her means does not necessarily mean a reintroduction of rationing or pruning down imports, though imported nonessentials should be made expensive for those who want them. Living within one's means also implies a reduction in Government expenditures and keeping down the wage and cost bill. A great deal of purchasing power was and is even now, under the Tories, being generated through planning of investments, or, rather, by misdirecting them into projects that have nothing to do with increasing the competitive efficiency of British industries.

In contrast with France, a reduction of British government expenditures is essential for bringing down taxes so as to encourage incentive and permit the accumulation of corporate reserves either for expansion purposes or for purchases of more efficient equipment. Great Britain, and this goes for most of Western Europe, needs to discourage spending and to encourage saving, i.e. capital formation.

Responsibility of Dominions

But the responsibility for the convertibility of the pound sterling lies not only in London. The other sterling area countries are also responsible, and more particularly the independent dominions, the leading ministers of which are at present meeting in London. The individual sterling area countries have been just as guilty of soft economic policies when it came to inflation as Whitehall has been.

U. S. Trade with U.K., Overseas Sterling Area and France

(in millions of dollars)

	U. S. Trade with Great Britain			U. S. Trade with Overseas Ster. Area			U. S. Trade With France		
	Exp. to	Imp. fr.	Bal.	Exp. to	Imp. fr.	Bal.	Exp. to	Imp. fr.	Bal:
1950									
Q1	140	57	+ 83	209	171	+ 38	112	20	+ 92
2	104	69	+ 35	214	391	—177	84	21	+ 63
3	116	97	+ 19	140	318	—178	37	34	+ 3
4	151	112	+ 39	196	387	—191	101	56	+ 45
	511	335	+176	759	1267	—508	334	131	+203
1951									
Q1	161	114	— 47	236	473	—237	83	81	+ 2
2	193	126	+ 67	307	538	—231	117	76	+ 41
3	245	117	+128	330	416	— 76	105	62	+ 43
4	302	109	+193	430	286	+144	122	44	+ 78
	901	466	+435	1303	1713	—400	427	263	+164
1952									
Q1	241	110	+131	441	408	+ 33	113	49	+ 64
2	152a	128a	+ 24	303a	384	— 81	99	38	+ 61
3	98a	112a	— 24	196a	301a	—105	54	38	+ 16

a—based on July and August 1952.

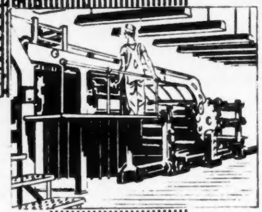
Since, in the words of the Chancellor of the Exchequer, Mr. R. A. Butler, "stability must precede convertibility," the London Conference of Commonwealth Prime Ministers is discussing the creation of conditions under which the pound sterling can become and remain convertible. These conditions are bound to include measures aiming at the reduction of internal inflation, at restricting home consumption, cutting costs, expanding production and, above all, the will to save and to employ the available capital wisely.

Unwise Use of Capital

As in Great Britain, so in many Dominions, too much planning has misdirected capital which should have gone into projects that would have either (1) promoted earning of dollars, or (2) encouraged the production of commodies that the sterling area has been buying from the dollar area. Too much capital, for example, has been diverted in Australia into manufacturing industries at the expense of increased output of wheat, meat, zinc, lead, and other primary materials for which the sterling area spent last year several hundred million dollars. At the same time, far too little capital in Great Britain was "directed" into the expansion of engineering industries, the products of which Australia needed and was buying in the United States. Instead, the old Labor Government, to get support in Lancashire, diverted too much capital into textile industries which are now faced with the competition of highly protected industries in India, Australia, and other dominions.

Hence one of the outcomes of the London conference may be an effort to change somewhat through investments, the present pattern of production of the sterling area so as to earn more dollars on one hand and on the other to save dollars. However, there is to be no closed system or any attempt at making the sterling area economically self-sufficient. A discrimination against dollar supplies would be resented not only in this country but also in Canada, and would jeopardize the latter's partnership in the Commonwealth. *(Please turn to page 318)*

Important . . .
Dividend Changes in Twenty Major Groups



By HOWARD WINGATE

The year 1952 has rung up a record in cash dividends on shares listed on the New York Stock Exchange. Actually, stockholders will have received this year about 4% more than last year.

Encouraging as this picture seems to be, it looks quite different when the dividend payments are broken down into the constituent groups of stocks. We then see that the trend of dividends has been by no means uniform. Of 27 separate groups, comprising 955 separate stocks, the first nine months record showed that dividends were the same on 520 stocks, 264 paid more and 188 paid less, the latter including 17 that suspended or deferred dividends. Of these 27 groups, 19 disbursed larger cash dividends, and 9 paid less.

Naturally, all this is of significance to stockholders since group dividend trends are reflected sooner or later in individual stocks. On the principle that dividends in a specific group tend to move in the same general direction, it is, therefore, of the utmost importance to the stockholder to keep himself fully informed on these trends.

On the following page, we have listed 20 major groups showing their dividend changes for the first nine months of the year. While final figures for the full year will not be available until early 1953, indications are that final quarter results will duplicate the uneven dividend trend thus far established despite the usual flow of year-end dividends. The irregularity of the trend can be better appreciated from the fact that the rise in total dividend payments was due almost entirely to increased dividends in the rubber, public utilities and oil and gas companies. Had there been no increase in these groups, the underlying trend in dividends would have been more manifest.

Chief among the declines in the individual groups were: textiles, retail trade, amusements and beverages. Declines were by no means uniform in these groups but the general drift was unmistakable.

Among conspicuous advances, outside of utilities, oils and rubbers were paper, electrical equipment, farm equipment and financial companies.

In order to illustrate the extreme variations in the ratio of earnings to dividends between companies in the same industry, we have indicated on the accompanying table the two companies showing the widest divergence. Taken in connection with the general trend of dividends in each of these twenty industries, the comparisons are useful in indicating the degree of dividend safety. Those with the largest percentage of dividend payout have the least dividend coverage, with the converse, naturally, being true of companies with the smallest margin of payout. Investors can compare their own stocks with those listed in the table.

In recent years, the average rate of dividend payout for industry, as a whole, has varied between 50% and 60%. This is considered the minimum margin of safety and is a criterion for all industries except public utilities which normally pay out as high as 70% and more, owing to the fact that these companies are on a cash basis and therefor require a smaller percentage of cash reserves to finance their daily operations. Industrial corporations on the other hand, require larger amounts in order to carry such semi-liquid items as inventories.

Cash Payments and Profits

It is important to realize that the apparently upward trend in dividends, as a whole, is contrary to the downward trend in net profits in evidence for over a year. To this extent, actual cash payments do not reflect the current earnings position. In many cases, corporation managements were reluctant to cut their dividends, unless absolutely compelled to do so. Nevertheless, the continuation of dividends in the case of corporations whose margin of earnings has consistently shrunk in recent quarterly periods should not be taken as an indication that their present rate of payment can be maintained indefinitely.

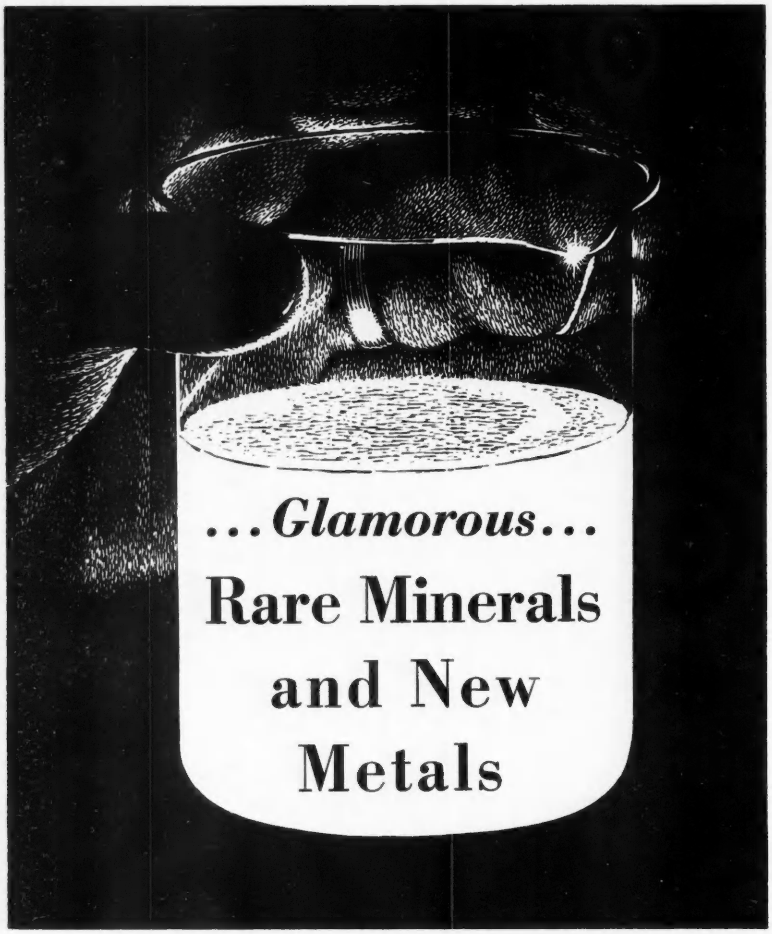
Since the peak of the Korean boom in the final quarter of 1950, there has been a perceptible decline in the net profit of manufacturing corporations, as a whole. In the second quarter of 1952, profits after taxes were 4.2% compared with 6.9% in the final quarter of 1950. The (*Please turn to page* 312)

Dividend Trends in 20 Major Groups

	Number of Common Stocks Paying Dividends: 1st 9 months 1952	More	Same	Less	Per Cent change from 1st 9 months 1951	Comparative Dividend Data: Estimated Net Per Share 1952	Indicated 1952 Divdiend	Per Cent Dividend Pay-out on Est. '52 Earnings
AIRCRAFT	23	8	12	3	— 1.1%			
Curtiss Wright						$ .85	$ .60	70%
Republic Aviation						5.25	1.25[1]	23
AMUSEMENT	19	2	9	8	— 9.5			
Columbia Pictures						.80	.25	31
Loew's Inc.						1.15	.97	85
AUTOMOTIVE	66	11	35	20	— 4.2			
Hudson Motor						3.25	1.00	31
Nash-Kelvinator						2.35	2.00	85
BUILDING TRADE	29	5	21	3	+ 2.2			
Celotex						1.30	1.50	100
National Gypsum						3.00	1.40	46
CHEMICAL	79	25	41	13	+ 0.5			
Commercial Solvents						.40	1.00	100
Pittsburgh Coke & Chem.						3.00	1.25	41
ELECTRICAL EQUIPMENT	23	6	15	2	+ 6.9			
Minneapolis Honeywell Reg.						2.50	2.00	80
Square "D"						3.50	1.40	40
FARM MACHINERY	7	3	3	1	+ 5.3			
Case, J. I.						5.25	3.00	57
Oliver Corp.						2.75	1.20	43
FINANCIAL	30	12	14	4	+ 5.5			
Commercial Credit						4.25	2.40	56
Famliy Finance						1.69	1.40	82
FOOD PROD. & BEVERAGES	64	15	32	17	— 5.9			
United Biscuit						4.10	2.00	48
Wesson Oil & Snowdrift						2.75	2.40	87
MACHINERY & METALS	102	29	48	25	+ 2.7			
Bliss, E. W.						4.00	1.00	25
Pitney Bowes						1.35	1.00	73
MINING	36	11	18	7	+ 1.8			
Cerro de Pasco						10.00	2.50[1]	25
Hudson Bay Mng. & Smelt.						6.65	5.00	75
OFFICE EQUIPMENT	9	4	4	1	+ 4.4			
Remington Rand						2.65	1.00	37
Underwood Corp.						5.50	4.00	72
PAPER	33	17	11	5	+11.1			
Scott Paper						3.20	2.40	75
West Virginia Pulp & Paper						10.00	4.00	40
PETROLEUM & NATURAL GAS	47	27	18	2	+15.6			
Sun Oil						6.50	1.00[1]	15
Sunray Oil						2.00	1.50	75
RETAIL TRADE	67	9	46	12	— 9.6			
Cunningham Drug						4.00	1.75	43
McLellan Stores						2.50	2.00	80
RUBBER	9	6	3	....	+28.2			
Goodrich, B. F.						7.50	2.50	33
U. S. Rubber						4.25	2.00	47
STEEL & IRON	34	5	21	8	+ 0.9			
Republic Steel						6.50	3.00	46
Sharon Steel						4.00	4.00	100
TEXTILE	34	3	20	21	—20.2			
Burlington Mills						1.25	1.00	80
Lowenstein, M.						6.00	2.25	37
TOBACCO	15	1	8	6	+ 2.1			
American Snuff						2.75	2.50	91
Consolidated Cigar						5.00	2.00	40
UTILITIES	97	34	60	3	+12.9			
Pacific Gas & Electric						2.25	2.00	88
Texas Utilities						3.10	1.73	55

1—Plus stock.

NOTE: The smaller the percentage of dividend payout, the greater the earnings coverage, and therefore the more secure the dividend.



...Glamorous... Rare Minerals and New Metals

By L. A. LUKENS

The introduction of new products or the discovery of new metals has always had a fascination for the American investors who typically associate such developments with the possibility of unusual profits. Nevertheless, great as such potentialities may be, it stands to reason that years may be required before they can produce truly large profits. However, there is no doubt that the prospect for some of these new products is inviting and it is the purpose of this article to describe these activities.

Still, one should discriminate between possibilities that are realistic and those that are fantastic. The distinction is worth while pondering.

For example, Molybdenum Corp. of America could have been bought last year for as little as 13½ or as much as 80½. It now sells for little more than half the 1951 high.

What caused these gyrations in the stock? Surely, it wasn't the earnings outlook. For all 1951 this little company netted $1,055,000, equal to $1.67 a share, on sales of $21,452,000. Dividends of 25 cents at quarterly intervals are being paid, hardly commensurate with its one-time stratospheric situation in the stock market. Obviously, it was not earnings or dividends that brought on the feverish speculation in the stock, but rather reports of a rare ore body uncovered in California. These properties contain deposits of more than a dozen rare metals, including cerium, lanthtamum, ittrium, gadolinium, sarmarium and neodymium, which can be mined by surface methods.

Greater Benefits to Established Companies

The tremendous potential of these metals, many new and many new only to the lay public, at the same time should not be overlooked. But if past patterns of industrial development are a criterion, they suggest that here too the race is likely to be not so much to the swift as the strong.

That is to say the likes of old-line steel, metallurgical, mining and ore-processing companies, abundantly blessed with capital resources, know-how and extensive research laboratories, are more likely to succeed at the hazardous business of successfully exploiting the vast commercial possibilities of germanium, cerium, lanthanum, titanium, columbium and kindred metals than glorified sourdoughs and fast-talking promoters.

In fact, our top companies already are hip deep in the business of developing scores of new metals, a costly but necessary undertaking in an era of rising material and labor costs accompanied by dwindling supplies of the old raw-material standbys.

H. G. Batcheller, chairman of the board of old-line Allegheny Ludlum Steel Corp., issued this urgent warning as recently as October, 1952: "Take a look at our present use of raw materials. As we see the supply of high-grade domestic ores dwindling away, as we note with alarm the continual downgrading of available coking coal, we cannot help but feel the need for new techniques for producing basic metallics."

And Allegheny Ludlum is doing something about it, as are old-line National Lead Co., New Jersey Zinc Co., E. I. du Pont de Nemours & Co., Monsanto Chemical Co. and Kennecott Copper Corp. An outstanding example is the work of the foregoing firms in titanium, easily the most important of the new metals.

Titanium is much lighter than stainless steel, but heavier than aluminum and combines the better features of both. Leading attributes of titanium are:

1. Extremely high melting point, which makes it of prime importance for such high-temperature equipment as jet engines, rockets and guided missiles.
2. High resistance to corrosion, a quality which has many applications in industry and for the military.
3. Lightness of weight, a major consideration in such fields as aircraft.

Cheap Mass-production Needed

While there are a number of processes of making titanium, to date no means has been evolved whereby a cheap, mass-production method of extraction could be attained. The ore is abundant and widespread geographically, hence the problem of development for

Companies Producing New Metals

	Nature of Rare Metals and New Minerals	Net Per Share Est Full Year 1952	Net Per Share 1951	Recent Price	Indicated 1952 Div.	Div. Yield	Price Range 1951-52
Allegheny-Ludlum Steel	**titanium steel for fabricators**	**$2.85**	**$ 5.40**	**39**	**$2.00[1]**	**5.1%**	**52⅛-31⅞**
Armco Steel	**taconite**	**6.00**	**6.69**	**40¼**	**3.00**	**7.4**	**51½-35½**
Carpenter Steel	**rare earth elements in alloys**	**6.71[2]**	**9.89**	**42¾**	**3.00**	**7.0**	**58 -39¼**
Climax Molybdenum	**molybdenum**	**2.15**	**3.16**	**37⅜**	**2.00**	**5.3**	**41 -28**
Crucible Steel Co. of America	**titanium ingots**	**4.65**	**11.90**	**31⅜**	[3]	....	**43 -26⅞**
Du Pont	**titanium sponge**	**4.75**	**4.64**	**95**	**3.55**	**3.7**	**102⅛-79⅝**
Eagle-Picher Co.	**germanium**	**3.50**	**3.74**	**21⅛**	**1.50**	**7.1**	**26⅛-18**
Fansteel Metallurgical	**tantalum-columbium**	**2.50**	**2.36**	**26¾**	**.50[1]**	**1.8**	**30¾-16½**
Ferro Corp.	**experimental metallurgy process**	**2.50**	**3.76**	**26⅝**	**1.60**	**6.0**	**38⅝-17⅞**
International Nickel	**experimental alloys**	**4.50**	**4.18**	**43**	**2.60**	**6.0**	**48⅛-31¾**
Kennecott Copper	**ore development and titanium oxide**	**8.25**	**8.44**	**74¼**	**6.00**	**8.1**	**92⅛-66¾**
Molybdenum Corp. of America	**rare earths and new metallurgy**	....	**1.67**	**46½**	**1.00**	**2.1**	**73¼-12¼**
Monsanto Chemical	**titanium metallurgy**	**4.20**	**4.70**	**90½**	**2.50**	**2.7**	**109½-73**
National Lead	**titanium sponge**	**2.05**	**2.05**	**31⅛**	**1.25**	**4.0**	**33½-21⅜**
New Jersey Zinc	**ore development and titanium oxide**	**4.75**	**5.06**	**59½**	**3.00**	**5.0**	**83¾-56¼**
Republic Steel	**metallurgical process**	**6.50**	**9.03**	**41¾**	**4.00**	**9.6**	**49½-35⅝**
Sharon Steel	**processing titanium metal**	**4.10**	**8.06**	**38⅞**	**4.00**	**10.3**	**50¼-32⅞**
Vanadium Corp.		**4.25**	**4.90**	**42⅝**	**2.40**	**5.6**	**45½-30¼**

1—Plus stock.
2—Year ended June 30, 1952.
3—Paid 10% in stock.

commercial purposes is one of efficient and inexpensive metallurgical methods.

The point of all this is that the old-line companies are tackling this job and kindred tasks. It would seem reasonable to suppose that these outfits are geared to come up with the right answers, if anyone is.

Germanium Important New Metal

The old-line Eagle-Picher Co., a leader in the zinc and lead fields, is busily engaged in developing germanium, a tedious and costly project. It takes an estimated 20 freight-car loads of zinc ore rock to recover a single pound of germanium which, in its refined state, is worth its weight in gold.

And it is a reasonably good guess that ere long germanium will be worth far more than gold, for a whole new electronics business, already a giant despite its youth, waits on development of the transistor, a potential successor to the vacuum tube.

Transistors are made of germanium, a chemical element named for his native land by a German scientist who found it way back in the last century. But virtually nothing was heard of germanium until the advent of the electronics era.

Transistors are metallic in appearance and use no heated element, hence there is nothing to burn out and, to quote I. J. Kaar, general manager of the electronics department of General Electric Co., "they can last forever."

As a consequence of the transistor development, according to Mr. Kaar, "the giant digital computers, or magic brains, which now use several thousand vacuum tubes and occupy a large-size room, can conceivably become small enough and, incidentally, reliable enough to apply to everyday business and industrial problems as we now apply comptometers."

In military electronics, he added, the simplicity and ruggedness of the transistor will have a direct effect on all equipment, especially that which is airborne. In the telephone business it will become "entirely practical" to build amplifiers for use on cables at the bottom of the sea, he said.

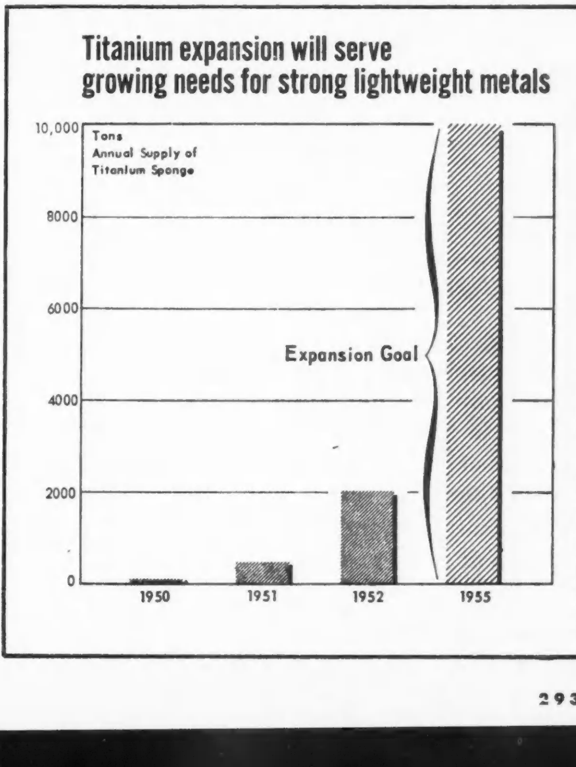
In a few years folks should be toting a portable, battery-operated television receiver to their vacation spots and watching their favorite programs while lolling in the sun. The receiver probably will be no bigger than an overnight bag and will weigh less than 30 pounds.

The car radio of the future will use a tenth the current of present sets and will be much less expensive.

A tubeless personal radio, which will easily fit into a lady's handbag, already exists.

These and other intriguing products were put on display in November, 1952, by Radio Corp. of America as part of a progress report on harnessing the newest electronic marvel—the transistor.

Physically, the transistor bears no resemblance to tubes. It is about half the size of a paper clip, has no



vacuum, no glass envelope or any of the varied elements found in the conventional tubes.

Developing the Transistor

Yet it can amplify sound signals, act as a rectifier converting alternating current to direct or do any of the many other jobs now done by vacuum tubes. The thing that makes it work is the tiny speck, about the size of a match-head, of germanium. It is within this particle of germanium that the electrons are harnessed to do the work they normally do in the vacuum of the electron tube.

Dr. E. W. Engstrom, vice president in charge of RCA Laboratories Division, emphasized that the devices demonstrated were in the form of laboratory models still in the preliminary and experimental stage. He added:

"These demonstrations highlight the fact that transistors are today no longer entirely a research concern. They are, in the field of radio and television, an immediate problem for advanced development by industry engineers so they can learn how to put them to work evolving more versatile, smaller, sturdier and eventually lower-cost equipment for industry and the public."

Dr. Engstrom noted that mass-production techniques for transistors haven't been worked out yet. "Although germanium itself is available, it requires careful processing to get it in the form that gives transistors their remarkable characteristics. Thus, the cost of even those few types of transistors that are available in limited quantities is still high," he reported.

RCA is selling transistors on a development basis, at a price of $14 to $25 each, depending upon the type. Dr. Engstrom declined to hazard a guess as to when transistors would be produced on a commercial basis.

To repeat, germanium already is as valuable as gold, but let no one suppose that those handsome Eagle-Picher dividends, cash extras and stock dividends have come from germanium, although General Electric's Mr. Kaar has estimated that more than 99% of the electronic industry's supply comes from Eagle-Picher. This metal, found in zinc ore, is too new on the industrial horizon even to be paying its own way, let alone sweetening the coffers of stockholders. Old-line Eagle-Picher is striving for greater and more efficient production of germanium while it waits for industry to put the transistor to work.

Thus, while profits are small, or even non-existant, research and experimentation go on for metals that will prove stronger than steel and lighter than aluminum, yet durable enough to endure the greatest heat.

The scarce materials, columbium and titanium, are used to build turbojet aircraft engines, but it's no secret that were the intake temperature of present jet engines raised by half, the power output would be raised three times. This would call for a metal not yet compounded which could, among other things, withstand a heat about twice that of the hottest jet aloft.

It is a fair assumption that plans for such an engine already have been drawn, awaiting the success of metallurgists with a metal able to stand the gaff. The right answer might very well make obsolete engines now in use.

Refractory metals, mostly those with melting points above 2,000 degrees Centigrade, such as molybdenum and tungsten, have received ever-increasing attention. Synthesized metals, like carbides, borides, hydrides and nitrides, are being exploited. Such rare-earth metals as lanthanum and cerium are undergoing rigid tests. For it may be that the answer will be found in a combination of two or more of these metals or compounds, even in those that singly have lower melting points than the ideal.

Thus we find:

The Carborundum Co. is active in artificial abrasives, a producer of zirconium and hafnium metals and is testing ceramic fibers having strong resistance to high temperatures. To illustrate: A new mineral fiber made of aluminum oxide and sand and able to withstand temperatures that will melt cast iron has been developed by Carborundum. The fiber, named Fiberfax, looks somewhat like fine glass fibers but has a number of unusual properties of its own. Basic uses at present are as an insulator either against high temperatures and electricity, or both, and as a filter in chemical plants. Fiberfax now is being used as insulation around the combustion and exhaust systems of jet engines, where tremendous heat is generated. One of its most important potential uses may be as a substitute for refractory brick to line industrial furnaces.

National Lead made gross additions to the plant property and equipment account last year totaling almost $21,000,000, primarily to increase titanium pigment plant capacity. National is a major user of titanium, which goes into its famed "Dutch Boy" paints.

Rem-Cru Titanium, Inc. was formed in August, 1950, to broaden research in titanium metal and to expand commercial operations in this field. The company is 50% owned by Remington Arms Co., Inc., controlled by du Pont, and 50% owned by Crucible Steel Co. of America.

Special Metals

Beryllium Corp. turns out beryllium-copper alloys and tools and is experimenting with zirconium.

Kennametal, Inc. is concentrating on high-temperature cemented tungsten-carbide compounds containing cobalt, important in the jet engine and atomic energy fields.

Lithium Corp. has developed a low-cost process for recovering lithium (a fifth the weight of aluminum) from spodumene ore. Lithium is being used increasingly as a metal and pharmaceutically.

Armco Steel Corp. expects that in a matter of days it expects the first carload of iron ore pellets to arrive at one of its blast furnaces. Right now the finishing touches are being put on the "concentrating" section of a large-scale pilot plant at Babbitt, Minn. This plant is near the taconite ore fields. It crushes the hard rock, grinds it finely and separates the iron from the rock by using filters and electric magnets. Product of this process is called 'iron ore concentrates." Taconite, a low-grade ore found under the high-grade iron ore which has been disappearing rapidly, has to be benegciated so that the final product will have a high iron content. It is calculated that there are billions of tons of taconite available and the saga of that ore is only now beginning to unfold.

Titanium Metals Corp. of America was formed early in 1950 by Allegheny Ludlum and National Lead as a joint venture to distribue titanium metal and allied products. It is (*Please turn to page* 319)

Five Outstanding Candidates for *Stock-Splits*

By OUR STAFF

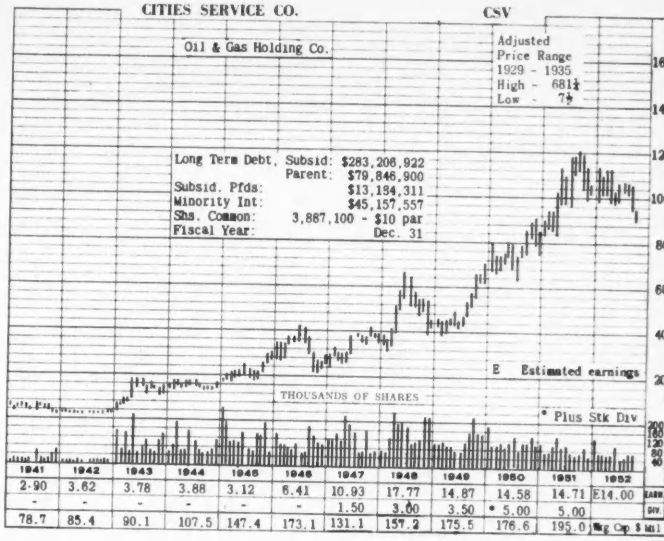
Their appetites whetted by stock splitups made during the current year as well as in 1951, investors and speculators alike are combing the list to determine those next in line to "cut a melon."

So far in 1952, approximately 32 companies listed on the N. Y. Stock Exchange have taken such action. The general belief is that before the year is out, other announcements of similar action will be made by several companies, bringing the total close to that of last year when 49 Big Board issues were split or paid stock dividends of 100% or more. Just which companies will join the "splitup" group is hard to determine merely by scanning earnings statements and balance sheets. Companies which by all standards appear to be likely candidates for stock splitups don't always develop as such. This may be due to one or more of a variety of reasons, whereas, other companies, seemingly overlooked entirely, may make unheralded announcements of action along these lines.

Interest in issues believed to be "ripe" for stock-splits is generated by the expectations of increased cash dividends over the pre-splitup rate and the wider interest in the new shares among small investors. Another factor, enhancing the attractiveness of the split-shares, is the generally ensuing firm price tone providing a good base for a gradual improvement in market valuation.

This is applicable only to stocks of those companies which can properly be regarded as having growth potentials and where the splitup has been made for the purpose of adjusting exceptionally high surplus accounts to conform with the capital stock account, and in this way reflect the building up of assets as a result of sustained high earnings and the ploughing back of a good part of these earnings into the business.

Likely candidates for stock-splits next year are those companies in strong positions in their industries, whose earnings have been at a sustained rate, and which have good growth possibilities. Among this group are the five companies which we present herewith, together with our comments and vital statistical data thereon. Of the five, Southern Railway and McGraw Electric have recently had substantial advances and investors should await a better buying opportunity.



CITIES SERVICE COMPANY

BUSINESS: Through wholly owned subsidiaries and substantial interests in affiliated companies, Cities Service is a fully integrated company in the petroleum and natural gas industries, controlling extensive proven and potential oil lands, refineries, pipelines, transportation and marketing facilities, and owns jointly with the Firestone Tire & Rubber Co., the American Petrochemical Corp.

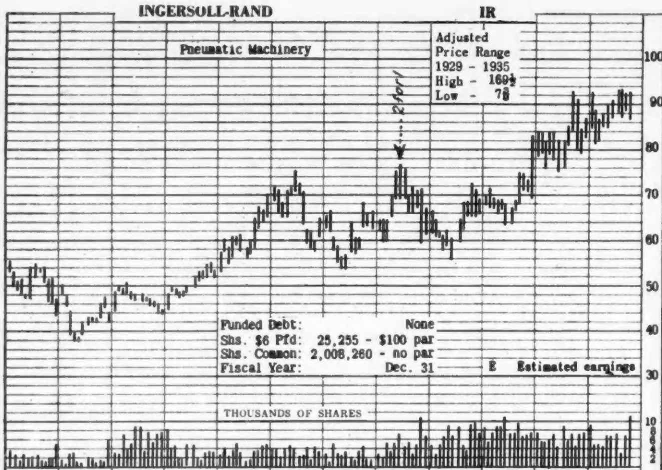
OUTLOOK: Having divested itself of its electric utility properties, the year 1951 was the first in which the company turned its attention exclusively to the operation of its petroleum and natural gas properties. Results of operations for that period reflect the continued growth in these fields, and the investment in recent years of large amounts of capital for expansion of facilities and services. Gross income of $835.5 million, increased by $133.3 million over 1950. Notwithstanding soaring income taxes amounting to $50.7 million, or $20 million more than in 1950, net income amounted to $57.1 million, or $14.71 a share for the common stock, compared with $14.57 a share in 1950. Thus, Cities Service continued its upward trend which set in at the beginning of 1946. From $362.3 million in that year, gross income has climbed to an all-time 1951 peak, which, on the basis of operating results in the first 9 months of this year, will be topped by 1952 gross, with net per share of common stock closely matching the 1951 figure. If this estimate is correct, 1952 will mark the sixth consecutive year in which earnings have equalled $14 or more per common share. In the six years to the end of 1951, $447 million has been expended in the oil and gas business. Important new oil leaseholds have been acquired in some of the most promising areas of the Western Hemisphere, bringing net interest oil, and leasehold acreage held to more than 10 million acres. At the same time long term debt and preferred stock has decreased $176 million, and the equity of common stockholders' increased from $149 million to $415 million, or from $40 to $106 a share.

DIVIDENDS: Quarterly payments of $1.00 a share, plus $1.00 extra, have been paid in each of the last three years. 1950 disbursements included 5% in stock.

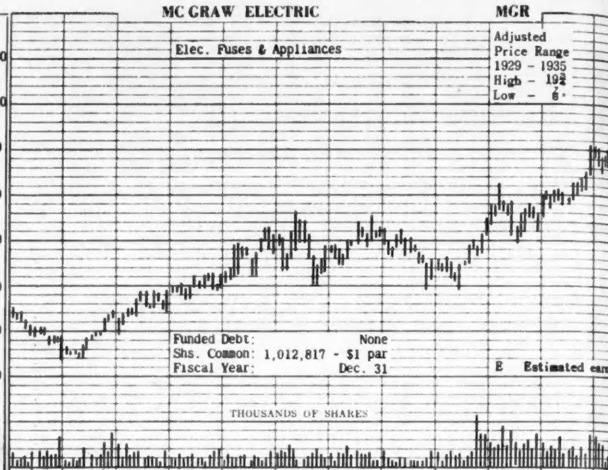
MARKET ACTION: Recent price of 92, compares with a 1951-52 price range of High—120½, Low—82½. At current price the yield is 5.4%.

COMPARATIVE BALANCE SHEET ITEMS

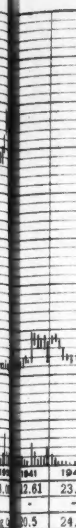
	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 90,965	$160,699	+$ 69,734
Receivables, Net	31,231	55,029	+ 23,798
Inventories & Supplies	35,226	98,745	+ 63,519
TOTAL CURRENT ASSETS	157,422	314,473	+ 157,051
Net Property	690,523	612,089	— 78,434
Investments	53,570	28,193	— 25,377
Excess of Subs. Invest. over equity	(cr)53,700	6,179	+ 59,879
Other Assets	27,412	11,807	— 15,605
TOTAL ASSETS	$875,230	$972,741	+$ 97,511
LIABILITIES			
Current Debt Payable	$ 12,089	$ 37,310	+$ 25,221
Accounts Payable	15,352	50,025	+ 34,673
Taxes & Miscell. Accruals	15,443	26,070	+ 10,627
Accruals	29,195	6,017	— 23,178
TOTAL CURRENT LIABILITIES	72,079	119,422	+ 47,343
Other Liabilities	32,387	50,451	+ 18,064
Reserves	34,811	13,170	— 21,641
Long Term Debt	476,681	363,054	— 113,627
Preferred Stocks	58,775	......	— 58,775
Subsid. Preferred Stocks	79,011	13,184	— 65,827
Common Stock	37,035	38,871	+ 1,836
Surplus	84,451	374,589	+ 290,138
TOTAL LIABILITIES	$875,230	$972,741	+$ 97,511
WORKING CAPITAL	$ 85,343	$195,051	+$109,708
CURRENT RATIO	2.2	2.6	+ .4



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	4.09	2.95	3.39	3.08	3.02	4.64	8.04	8.84	7.40	9.25	9.80	E 9.25
DIV.	3.50	3.00	3.00	3.00	3.00	3.50	4.50	5.00	5.75	5.75	6.00	
Wkg Cap $ Mil	29.4	28.4	28.1	29.7	35.7	38.8	45.4	53.4	60.9	67.8	74.3	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	2.92	2.00	1.84	1.71	1.71	4.63	5.49	7.12	8.11	9.23	7.28	E8.0
DIV.	2.00	2.00	1.50	1.50	1.50	2.50	3.50	3.50	3.50	3.50	3.50	
Wkg Cap $ Mil	3.1	3.1	3.3	3.4	3.8	4.5	5.4	10.0	17.3	21.2	22.0	



INGERSOLL-RAND COMPANY

BUSINESS: Through a balanced and compact organization, manufactures air and gas compressors, oil and gas engines, rock drills, pneumatic tools, pumps, condensers, air conditioning and refrigeration machinery, and essential equipment for mining, quarrying, road building and general construction.

OUTLOOK: With net income in the first 9 months of this year being equal to $7.34 a share on the common stock, 1952 earnings of the company appear to be headed for a new record ,surpassing its previous best year—1951—which produced net income of $9.50 a share. By achieving a new high mark in earnings for 1952, the company will have extended its long and consistent profits record that has enabled it to pay dividends without interruption in every year since 1910. In the 43 years which have elapsed since that itme, it has also compiled a record of consistent expansion of operations, without recourse to funded or other long-term indebtedness. It has always maintained its capital structure in the simplest form, consisting of but 25,255 shares of $100 par value preferred and 2,008,260 no par value shares of common stocks. The latter issue was increased to its present amount by a 2-for-1 stock split in 1948. Since then, net sales have risen from $117 million to 1951 high of $150.4 million, with net income, after dividends, swelling earned surplus from $29.4 million at the end of 1948 to $52.4 million at the close of 1951. Simultaneously, the company, which has consistently maintained a strong working capital position, has added further strength in the four years to 1951, increasing cash and equivalent to $74 million, in contrast to current liabilities of $54.7 million. All this has been accomplished during the same time that the company has maintained cash dividends at a liberal rate, increasing from $3.59 per share paid following the last splitup to $6.00 a share paid in 1951 and duplicated in the current year, a policy that has been followed from the initial dividend payment 43 years ago.

DIVIDENDS: The current rate of payment is $1.25 a share quarterly, supplemented by an extra of $1.00 a share.

MARKET ACTION: Recent price of 89½, compares with a 1951-52 price range of High—93¾, Low—75½. At current price the yield is 6.7%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash	$ 5,094	$ 4,854	—$ 240
Cash adv. pay. on orders	11,011	5,253	+ 5,758
Marketable Securities	25,539	63,892	+ 38,353
Receivables, Net	14,295	16,238	+ 1,943
Inventories	20,592	38,791	+ 18,199
TOTAL CURRENT ASSETS	76,531	129,028	+ 52,497
Net Property	6,835	7,464	+ 629
Investments	4,970	3,069	— 1,901
Other Assets	2,164	125	— 2,039
TOTAL ASSETS	$ 90,500	$139,686	+$ 49,186
LIABILITIES			
Notes & Accounts Payable	$ 3,424	$ 11,560	+$ 8,136
Advance pay. on orders	10,011	5,253	— 4,758
Accruals	14,706	902	— 13,804
Tax Reserve	19,932	36,976	+ 17,044
TOTAL CURRENT LIABILITIES	48,073	54,691	+ 6,618
Reserves	2,000		— 2,000
Preferred Stock	2,525	2,525	
Common Stock	27,556	28,115	+ 559
Surplus	10,346	54,355	+ 44,009
TOTAL LIABILITIES	$ 90,500	$139,686	+$ 49,186
WORKING CAPITAL	$ 28,458	$ 74,337	+$ 45,879
CURRENT RATIO	1.5	2.4	+ .9

McGRAW ELECTRIC COMPANY

BUSINESS: Through its Toastmaster and Manning, Bowman divisions, produces a complete line of domestic and commercial electric appliances. Other divisions manufacture equipment used in the construction and maintenance of electric transmission lines, fuses, power transformers, voltage regulators, fiber sewer and irrigation pipe, and air conditioning units for vehicles of all types.

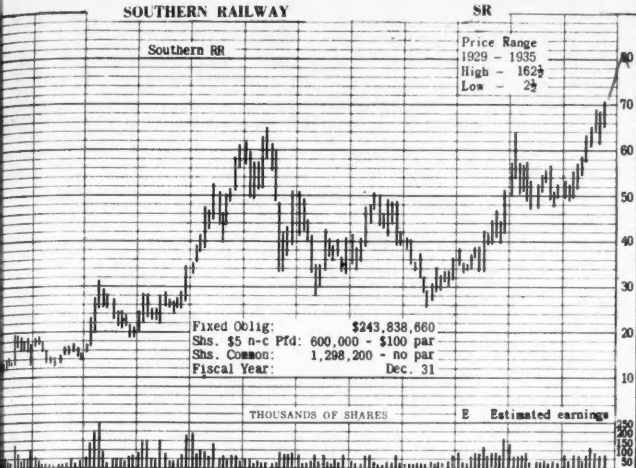
OUTLOOK: The company has recorded steady growth over a number of years. This has been achieved by expanding sales of established products through a nation-wide sales organization and the acquisition of other companies in accordance with a program of diversification looking toward future growth and increased stability of the business. As a result, the company has freed itself of complete dependence on sales of electrical appliances, giving it at the same time a strong position as a producer of industrial products. The extent of this accomplishment can be determined by the division of 1951 sales of which 50% were to utility companies, 15% to the government and miscellaneous buyers, with sales of electrical appliances making up the balance of 35%. The 1952 breakdown of sales will probably show a greater divergence, incorporating, as it will, sales of the latest acquisition, the Pennsylvania Transformer Co., acquired in February of this year which had at the time unfilled orders of $27.5 million. Net sales in 1952, will undoubtedly reach a new high level, continuing the trend that since 1946 has carried net dollar volume from $13.3 million to a 1951 peak of $86.7 million, with net per share in the latter period equalling $7.28. This growth has been accomplished without resorting to bank loans or new financing through issuance of bonds or stock. Payments for the new acquisitions were made in common stock of the parent company which is now outstanding in the amount of a little more than 1 million shares out of 1.5 million shares authorized. This issue constitutes the entire capital structure.

DIVIDENDS: Except for the year 1933, the company has an unbroken dividend record going back to 1930. Current payments of $3.50 annually maintained since 1947.

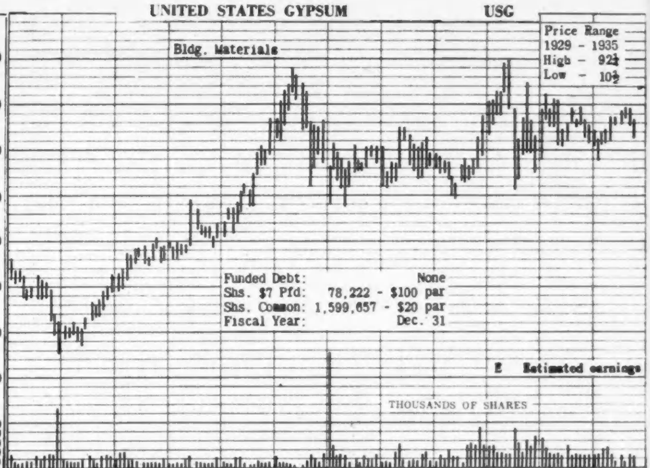
MARKET ACTION: Recent price of 68, compares with a 1951-52 price range of High—69⅝, Low—45½. At current price this yield is 5.1%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 2,888	$ 6,034	+$ 3,146
Receivables, Net	890	9,721	+ 8,831
Inventories	1,315	21,559	+ 20,244
TOTAL CURRENT ASSETS	5,093	37,314	+ 32,221
Net Property	1,399	11,986	+ 10,587
Other Assets	245	714	+ 469
TOTAL ASSETS	$ 6,737	$ 50,014	+$ 43,277
LIABILITIES			
Accounts Payable	$ 159	$ 3,187	+$ 3,028
Accruals	156	2,060	+ 1,904
Tax accrual	1,641	9,987	+ 8,346
TOTAL CURRENT LIABILITIES	1,956	15,234	+ 13,278
Capital Stock	472	860	+ 388
Surplus	4,309	33,920	+ 29,611
TOTAL LIABILITIES	$ 6,737	$ 50,014	+$ 43,277
WORKING CAPITAL	$ 3,137	$ 22,080	+$ 18,943
CURRENT RATIO	2.6	2.4	— .2



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	2.61	23.41	15.81	14.84	10.24	4.81	6.85	12.51	6.87	14.94	12.21	E 13.50
DIV.	-	-	2.00	2.75	3.00	3.00	3.00	3.25	4.00	3.00	4.00	
Wkg Cap $ Mil	20.5	24.6	30.2	41.9	49.1	44.9	36.6	38.1	25.1	19.9	24.4	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	5.42	4.27	3.75	3.07	3.18	9.91	10.00	15.04	13.51	16.70	12.05	E 11.50
DIV.	3.50	2.00	2.00	2.00	2.00	3.00	4.00	6.00	9.00	10.00	7.00	
Wkg Cap $ Mil	26.2	31.7	35.0	37.4	40.0	24.2	44.4	55.9	60.5	65.9	70.2	

SOUTHERN RAILWAY COMPANY

BUSINESS: From St. Louis in the west and Cincinnati and Washington, D. C., in the north, Southern's extensive rail network traverses all of the southern states east of the Mississippi, extending southward to New Orleans and Mobile on the Gulf Coast and eastward to important points along the Atlantic Seaboard.

OUTLOOK: In the 10 months to Oct. 31, last, income account of the road showed net income of $19.1 million, equal to $12.84 a share for the common stock. For the same period last year net income of $13.3 million equalled $8.38 a share, which with results for the final quarter brought 1951 earnings to $14.94 a share. Obviously, 1952 net will surpass that figure, probably approaching $17 a share. Accounting for this steady and appreciable growth in earning power is the remarkable industrial expansion in the area served by the road, including enlargement of existing industries and the building of new plants, creating further diversification of freight traffic and adding considerably to the strength of Southern as a freight carrier. The effect of these developments has already been recorded to some extent in 1951 total operating revenues of $262.2 million, up from $239.9 million for 1950, and the further gain to $200.1 million in the first 9 months of 1952, over the $190.8 million in the same period of last year. Helping to expand net earnings are the major improvements in yard and other facilities that have raised operating efficiency along with that made possible by the dieselization program under which the road acquired 100 new Diesel locomotives last year. Concurrently, the road has been continually reducing funded debt. It lopped $17 million from the total last year and will retire, by purchase, this coming January, $30 million of its development and general mortgage bonds now outstanding in the amount of $65.3 million carrying interest rates of 4, 6 and 6½%, but which do not mature until 1956. With this accomplishment, Southern will probably reappraise its position in relation to its common stock.

DIVIDENDS: Payments on the common stock, resumed in 1942, have been at a quarterly rate of $1.00 a share for the last two years.

MARKET ACTION: Recent price 74½, compares with a 1951-52 price range of High—75, Low—46¾. At current price the yield is 5.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	December 31 1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 90,330	$ 55,959	—$ 34,371
Receivables, Net	19,409	23,238	+ 3,829
Materials & Supplies	13,689	20,512	+ 6,823
TOTAL CURRENT ASSETS	123,428	99,709	— 23,719
Road & Equipment	570,250	675,684	+ 105,434
Investments	55,983	81,218	+ 25,235
Accrued Depreciation & Amort.	(cr)90,577	(cr)111,234	+ 20,657
Other Assets	9,737	5,536	— 4,201
TOTAL ASSETS	$668,821	$750,913	+$ 82,092
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 74,256	$ 75,853	+$ 1,597
Other Liabilities	4,150	7,689	+ 3,539
Unadjusted Credits	17,252	14,382	— 2,870
Long Term Debt	221,358	256,313	+ 34,955
Preferred Stock	60,000	60,000	....
Common Stock	129,820	129,820	....
Surplus	161,985	206,856	+ 44,871
TOTAL LIABILITIES	$668,821	$750,913	+$ 82,092
WORKING CAPITAL	$ 49,172	$ 23,856	—$ 25,316
CURRENT RATIO	1.7	1.2	— .5

UNITED STATES GYPSUM COMPANY

BUSINESS: Operating about 50 plants in the U. S., and 6 in Canada, together with extensive gypsum and limestone deposits, the company is the largest manufacturer of gypsum building materials, augmented by output of insulating materials, asphalt roofing, paints and steel products, including metal lath, also a major product.

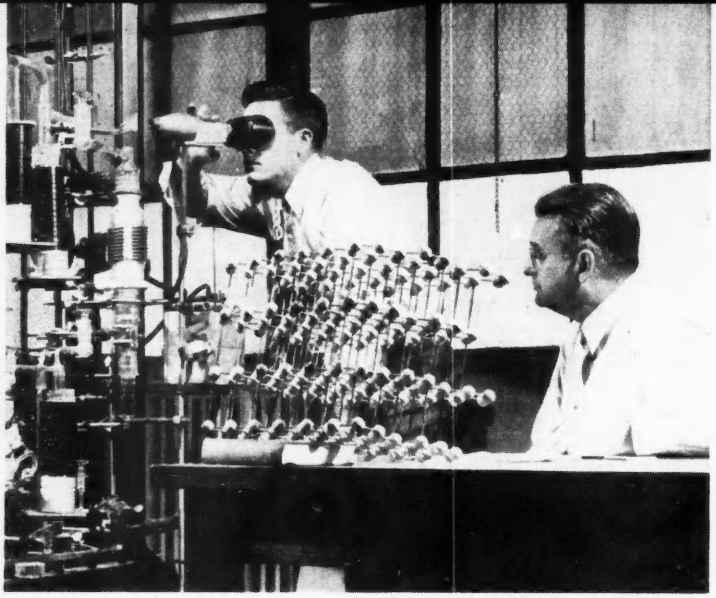
OUTLOOK: The company, in addition to being the largest manufacturer of gypsum and related lines, is strongly situated by reason of integration of production, and its extensive sources of raw materials. Last year, net sales hit an all-time peak of $188.1 million. This was, roughly, $14 million above the 1950 figure, and $103 million greater than in 1946, when construction activity was just getting under way following the close of the world war. During the post war period, net earnings rose from $9.90 a share in 1946, to $16.70 in 1950, followed by $12.05 a share last year when income taxes bit deeper into earnings by $6 million than in 1950. The outlook is for 1952 results to come close to those of the previous year. Net for the first six months, amounting to $5.83 may be bettered in the final half, and based on current building starts, the improvement should carry well into 1953. While increased building activity across the nation has contributed to the company's rising volume and earnings, much of the good showing reflects growing strength resulting from the company's progressiveness in improving products and extending operating facilities, expenditures in the post-war period for the latter program totalling $78.8 million. This was accomplished without incurring any indebtedness and holding capital stocks to a moderate amount of preferred and 1.5 million shares of common, with earned surplus account building up to over $101 million. As of June 30, 1952, the company had cash and U. S. Government securities of $78.8 million, against current liabilities of $38.4 million.

DIVIDENDS: Payments, which have been maintained without interruption for 32 years are currently being made at an annual rate of $5 plus $2 a share extra.

MARKET ACTION: Recent price of 112, compares with a 1951-52 price range of High—124, Low—101¼. At current price the yield is 6.6%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	June 30 1952 (000 omitted)	Change
ASSETS			
Cash	$ 4,211	$ 12,487	+$ 8,276
Marketable Securities	23,404	66,341	+ 42,937
Receivables, Net	8,933	20,321	+ 11,388
Inventories	6,112	14,905	+ 8,793
TOTAL CURRENT ASSETS	42,660	114,054	+ 71,394
Net Property	35,506	83,446	+ 47,940
Other Assets	1,857	3,722	+ 1,865
TOTAL ASSETS	$ 80,023	$201,222	+$121,199
LIABILITIES			
Accounts Payable	$ 1,848	$ 6,843	+$ 4,995
Accruals	622	4,875	+ 4,253
Tax Reserve	8,419	26,640	+ 18,221
TOTAL CURRENT LIABILITIES	10,889	38,358	+ 27,469
Reserves	1,174	....	— 1,174
Preferred Stock	7,822	7,822	....
Common Stock	23,935	31,996	+ 8,061
Surplus	36,203	123,047	+ 86,844
TOTAL LIABILITIES	$ 80,023	$201,222	+$121,199
WORKING CAPITAL	$ 31,771	$ 75,696	+$ 43,925
CURRENT RATIO	4.0	2.9	— 1.1



...Investment Audit of...

Union Carbide & Carbon Corporation

By STANLEY DEVLIN

The best cure for pessimism over the chemical industry's future is a review of its dynamic growth in the last generation. A clearer understanding of the achievements realized in developing products discovered in research laboratories will dissipate fears of any temporary overexpansion of production facilities.

Probably the best way to approach this subject is to examine a representative factor in the industry—such as Union Carbide & Carbon Corporation, the largest producer of petrochemicals and the second largest chemical company. A study of this company's growth illustrates the extent to which diversification can be obtained through production of a wide variety of materials consumed in almost every industry imaginable. When one notes also that in a span of about thirty-five years this company has matured to the point where sales approximate $1,000 million annually, one may better appreciate the potentialities of chemicals. Here is a company which started in 1917 with a capital of $100 million and only a year or so ago was able to go to the Metropolitan Life and the Prudential Life Insurance companies and arrange for borrowing $300 million on 100-year notes.

That evidence of faith in the chemical industry's future and in the credit standing of this company affords ample testimony of investment experts' confidence in the future. Such an interpretation may be better understood by a detailed review of the several principal types of products manufactured and the variety of industries served. It may be noted in this connection that both heavy industry and consumer goods industries are large customers. Hence, only in a severe depression would all divisions of the company be likely to experience a setback in demand; on the contrary, as a general rule, one or more divisions likely would be especially active if others were undergoing a temporary lull.

Growth Founded Upon Research

At the base of the company's tremendous growth is its research organization. Of a total of some 60,000 employees in eleven divisions, approximately 2,000 devote their entire time to research and product development in nine elaborate laboratories. Outstanding progress has been attained in five broad fields—alloys and metals; electrodes, carbons and batteries; industrial gases and carbides; chemicals and plastics. Each still has dynamic growth possibilities.

Probably few investors associate Union Carbide with participation in production of metals, such as tungsten, vanadium, uranium, etc. In order to fulfill its obligation to the rapidly expanding steel industry, Carbide has devoted a major share of capital expenditures in recent years to expansion of its alloy and metals division, which produces more than fifty different alloys and metals in its nine plants. One of the largest of these covers an area of more than 500 acres. It is estimated that the furnaces of this one plant consume enough electric power to serve a residential community the size of Philadelphia. That

comparison affords an idea of the size of Union Carbide's participation in steel-making.

Inasmuch as alloys are essential in production of all types of steel, especially stainless, for which demand steadily is expanding, it is apparent that this industry is a major customer of Union Carbide. The nation has a capacity for producing more than 100 million tons of ingots annually, and for every ton produced an average of sixteen pounds of manganese and silicon is added in the mix. Alloys are used for purifying as well as for hardening and toughening steel and for making the product rust resistant. Use of stainless steel, for example, has grown fabulously in the last two decades. Alloys made by Carbide are highly essential in production of steel for jet engines as well as for elements used in television tubes for clarifying pictures. These examples, to cite only two, illustrated the essentiality and variety of outlets served.

Comparative Balance Sheet Items

ASSETS	December 31 1942	1951 (000 omitted)	Change
Cash	$ 55,473	$111,284	+$ 55.811
Marketable Securities	13,495	85,794	+ 72,299
Receivables, Net	52,859	97,011	+ 44,152
Inventories	69,970	175,862	+ 105,892
TOTAL CURRENT ASSETS	191,797	469,951	+ 278,154
Net Property	202,062	478,052	+ 275,990
Investments	25,703	24,887	— 816
Other Assets	7,063	5,205	— 1,858
TOTAL ASSETS	$426,625	$978,095	+$551,470
LIABILITIES			
Accounts Payable	$ 17,260	$ 47,663	+$ 30,403
Accruals	11,037	13,591	+ 2,554
Accrued Taxes	67,584	176,116	+ 108,532
TOTAL CURRENT LIABILITIES	95,881	237,370	+ 141,489
Other Liabilities	1,717	......	— 1,717
Reserves	10,000	6,381	— 3,619
Long Term Debt	24,600	150,000	+ 125,400
Capital Stock	192,880	204,588	+ 11,708
Surplus	101,547	379,756	+ 278,209
TOTAL LIABILITIES	$426,625	$978,095	+$551,470
WORKING CAPITAL	$ 95,916	$232,581	+$136,665
CURRENT RATIO	2.0	2.0	......

tant revenue producer. Other items marketed in finished form by this division are "Prestone" and "Trek" for use in automobile cooling systems.

Another of the company's original products was calcium carbide, which served as a source of acetylene gas, which was used half a century or more ago in gas lights. Even in more modern times acetylene gas lanterns have found a ready use. From this start oxy-acetylene gases were made available for cutting and welding steel. Industrial gases are taken from the air and have been processed for many uses, including oxygen for assisting breathing in cases of illness.

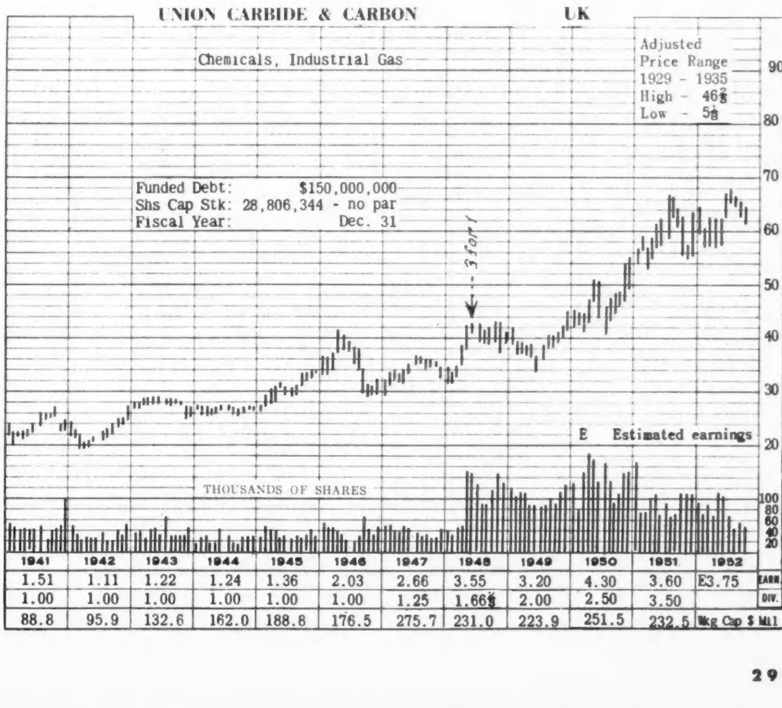
The steel industry is a large consumer of industrial gases, which are transported in huge cylinders. The combination of oxygen and acetylene produces the hottest flame known. Through utilization of industrial gases, great progress has been achieved in fabricating metals and labor saving devices have come into being. Outstanding progress in improving the quality of steel and in developing an array of new uses has been made possible by industrial gases and by equipment developed in the Linde Air Products division of Union Carbide.

Another Linde development promises to speed production of commercial iron ore from the low grade ores of the Maseabi range. The machine is a jet-piercing blowpipe for rock formations operating with

Broad Diversification of Products

The steel industry is another division's major customer—the unit making carbon and batteries. One of the important segments of the business at the outset, this division manufactures carbon used in electrodes, batteries marketed under the "Everready" trade mark and "Prestone" antifreeze. Electrodes are used in electric furnaces where the metals are charged. An electric arc flashes across the ends of these carbon or graphite electrodes to create intense heat. Probably a ton and a half of carbon is consumed in a day in a single large electric furnace. Most electrodes weigh several tons each, so that this business runs into large volume. The division also makes carbon sticks for use in motion picture projection machines, where it is important to produce brilliant light for throwing images on a screen as much as 250 feet away.

Of the thousands of materials and products emanating from Union Carbide's plants one of the few reaching the public in finished form is the dry-cell battery made by the National Carbon division, which has been producing this item for more than 60 years. Millions of small batteries are made annually and constitute an impor-



oxygen, fuel and water. With this tool, tough, hard taconite ores may be drilled economically, for it uses an intense flame to blast holes in formations.

As an illustration of the tremendous potentialities in a business such as this, it may be mentioned that the company's researchers opened the vast expanse of chemicals while endeavoring to discover new sources for acetylene gas. They had hoped to produce acetylene gas from natural gas. While "splitting" gases and building new chemical patterns, they developed scores and even hundreds of man-made chemicals. Now more than 300 chemicals are produced in the Carbide and Carbon Chemicals division. Almost every industry imaginable is a user, such as manufacturers of motor cars, aircraft, metals, paper, pharmaceuticals, plastics, printing, rubber, textiles and other chemical producers.

Converting Coal Into Chemicals

It probably is no exaggeration to say that chemicals and plastics—an outgrowth of the chemical division—are the most rapidly growing activities in the company's organization. They account for slightly less than half of sales volume. Probably more than half of capital expenditures this year and next will be allocated to expansion of these two groups. The most promising product thus far brought into use is dynel, a synthetic fiber resembling wool, which may revolutionize the textile industry. A new plant costing about $30 million is under construction in North Carolina for producing dynel in volume. It is expected to be ready about the middle of 1954.

There is no need for cataloguing here all the many uses developed for Carbide chemicals. One should keep in mind, however, the wide variety of outlets in the textile, paper, rubber and pharmaceutical fields to gain a proper perspective of the company's broad diversification in this one division alone. Perfection recently of a new insecticide, for example, holds promise of important expansion in the chemicals division.

The recent decision to proceed with construction of a sizeable plant for conversion of coal to chemicals also demonstrates the extent to which research has gone. The $11 million pilot plant at Institute, W. Va., represents the culmination of seventeen years of developing another source for raw materials which may be available if petroleum should become scarce. More than 300 tons of coal are to be processed daily at the pilot plant, which still is regarded as only an experimental operation which is not expected to yield profits immediately. Nevertheless, hydrogenation of coal is expected to prove not only commercially practicable but profitable as well.

Although the public is familiar with many of the company's plastics, probably few persons identify them with Union Carbide. Bakelite is the most common, for it has been in common use in many articles for many years. This phenolic plastic gradually displaced many other materials, such as wood and metal, in household utensils and in a wide variety of products used in our daily activities. Vinylite is a different type of plastic which comes in flexible sheets or film and may be used for draperies, shower curtains, raincoats or similar products.

As an illustration of the wide scope of usefulness of plastics, it may be pointed out that the use of cans for beer has been made possible by coating the inner can with vinyl resins. Bakelite phenolic resins now are used for bonding sand molds used by the automobile industry, so that old cumbersome sand molds may be replaced with more efficient articles which require less room for storage and are permanent.

Bakelite polyethelene, the fastest growing plastic, is being used in construction of the longest submarine cable ever laid, extending more than 1,800 miles to Brazil from the Cape Verde Islands. Chemical researchers say that only the surface has been scratched in development of plastics, for it is believed that better products can be found and that many more useful outlets can be made available. It is little wonder that Carbide's management is enthusiastic over future prospects for this division.

Inherent Growth Potentials

Evidence of the strong growth trend inherent in operations is found in the fact that sales have been well maintained this year in spite of a letdown in activity in textiles through the first few months and despite the prolonged stoppage in steel production—an imporant outlet for Carbide products. With the benefit of a good recovery in September, third quarter sales compared favorably with volume in the corresponding period of 1951 and net profit for the period came to 84 cents *(Please turn to page 312)*

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1952 (First 9 months)	$684.6	$171.9[1]	25.1%[2]	$101.2	$ 70.7	10.3%	$ 2.46	$ 2.50[3]	......	68 -57 [4]
1951	927.5	257.3	27.7	164.4	103.8	11.2	3.61	2.50	17.7%	66⅝-53⅜
1950	758.2	229.4	30.2	113.6	124.1	16.3	4.31	2.50	23.2	55¾-40⅛
1949	585.7	140.2	23.9	53.6	92.2	15.7	3.20	2.00	19.3	45½-33¾
1948	631.6	155.1	24.5	57.1	102.3	16.2	3.55	2.00	23.1	43¼-37⅛
1947	521.8	115.7	22.1	46.5	75.6	14.5	2.66	1.25	19.4	36¾-29¾
1946	414.9	88.8	21.4	35.7	57.2	13.7	2.04	1.00	17.0	42⅝-29⅜
1945	481.5	92.8	19.2	58.3	37.8	7.8	1.36	1.00	12.2	34⅛-26¼
1944	507.9	124.8	24.5	83.3	37.7	7.4	1.36	1.00	12.5	27½-25⅜
1943	488.3	120.3	24.6	79.8	38.3	7.8	1.42	1.00	12.9	28⅞-25½
1942	404.9	103.0	25.0	66.4	38.0	9.4	1.38	1.00	12.9	27⅝-19¼
10 Year Average 1942-51	$572.2	$142.7	24.3%	$ 75.8	$ 70.7	12.0%	$ 2.48	$ 1.52	17.0%	66⅝-19¼

1—Pre-tax income.
2—Pre-tax margin.
3—Estimate for full year.
4—To November 18, 1952.

Have Machine Tools *Seen The Peak?*

By PHILLIP DOBBS

Current backlog of orders for the machine tool builders is figured to be sufficient to keep most of them busy throughout 1953. Estimates place next year's output of the industry at slightly more than $1 billion. The answer to whether "machine tools have seen the peak" is not to be found, however, in these figures.

As output in the industry rises, the backlog, in terms of monthly production, declines, unless new orders materialize. As things now stand, some machine tool makers have descended quite a way from their backlog apex. They must have more orders, and soon, if they are to maintain present schedules.

This is particularly true of the builders of the small, comparatively light tools such as drill presses, light grinders, and such. Builders of heavier equipment such as millers, jig borers, medium size lathes, and similar tools are in a much better position, while producers of big boring mills, turret lathes, and other large equipment, some of it weighing hundreds of tons, have orders on hand that will keep them busy for the next two or three years. Press builders, as recently as last October and November, had an influx of orders, most of it having to do with the armament buildup, in a volume that, in some instances, has been exceeded only once before since Korea. In other words, there is an uneven distribution of the business. There is a continued demand for certain types of equipment, while the need for other types has been pretty well satisfied, for the time being, at least.

This situation is reflected by new machine tool orders in October touching the lowest level since July, 1950, the first month after our landing on the Korean Peninsula. The October index figure, with the average of the year 1945-1947, inclusive, taken as 100, stood, on a preliminary basis, at 243.7. This compares with 124.1 in June, 1950, and is in contrast to the July, 1952, peak of 376.3. October figures, however, do not necessarily indicate a trend. The somewhat precipitate drop for the month is believed to be the result of delayed action in connection with the needs for the defense industries, and may prove to be only temporary.

Frankly, there are several factors dominating the machine tool makers which make it impossible to weigh the immediate future on an industry basis. The term "machine tools" is a broad one, covering more than 300 types of equipment. Some, as has already been pointed out, being small equipment, costing a few hundred dollars that can be turned out in a very short time, while others, so large that they are called "elephants," costing $100,000 or more, require many months, and even years, to complete. Machine tool manufacture, therefore, cannot be undertaken overnight on a mass-production basis. They are highly individualized products. They must be carefully built, many being designed to perform to an accuracy of one 10-thousandth of an inch.

Just what types of tools will be needed for the defense effort from now on will be determined by the nation's armament program. Only in the last few weeks, the Office of Defense outlined a program for building stand-by equipment capable of producing armaments on short notice in event of all-out war. We have learned from the last world war that it is a costly thing, in time and money, not to have specialized types of equipment immediately available in the event of emergency. Following this line of

thought, talk is heard of a plan for the procurement of from $500 to $700 million in machine tools during the next two to three years. The actual amount to be spent may vary from these figures, and it will have to be decided as to what machine tools will be required and in what volume. The bulk of the money will probably be spent for the "elephants,"—machine tools requiring two to three years to build.

Meanwhile, relaxation by the National Production Authority of its rules controling delivery of machine tools should prove of benefit to the industry. While machines still on the critical list will remain reserved for the military and other DO-rated customers, builders will be permitted to divide their orders on a basis of 60% for the armed services and 40% for all others. Heretofore, the ratio was set at 70-30, which tended to discourage the placing of orders by civilian users because they stood little chance of getting delivery. From now on, a civilian or unrated order can no longer be displaced on a builder's schedule by a rated order once it is within three months of delivery. An interpretation of this change on the part of the NPA is that the volume of strictly military orders for machine tools is declining. On the other hand, it is obvious that the Government is desirous of keeping production capacity of the machine tool makers up to current levels. In the industry, the move is welcomed. While it undoubtedly will be of immediate benefit to some companies anxious for new orders it should also enable others now booked to capacity with defense business to fill the gaps with civilian business as defense demand slackens.

Obsolescence May Spur Civilian Demand

Just how big the pent-up demand of civilian manufacturers is for machine tools is anyone's guess. Estimates are that 90% of the machine tool now in place are equivalent to 10 years old or older, figured from the standpoint of design obsolescence or actual wear. If this estimate is anywhere near accurate, it sets forth a condition that needs correcting as quickly as possible.

Machine tools are the equipment which cut, shape and form metal, transforming it into the functioning working parts of mechanical devices. They are essential to the products of peace as well as to the making of weapons for war. Efficient tools are vital to the metalworking industry if it is to operate at a profit and keep pace with the growth in demand, accelerating at a rate that indicates, given satisfactory climate, substantial expansion in the next few years with the development of new metals, like titanium, stronger steels and new applications of aluminum. The prospects are raised still higher by the continued trend

Statistical Data on Machine Tool Companies

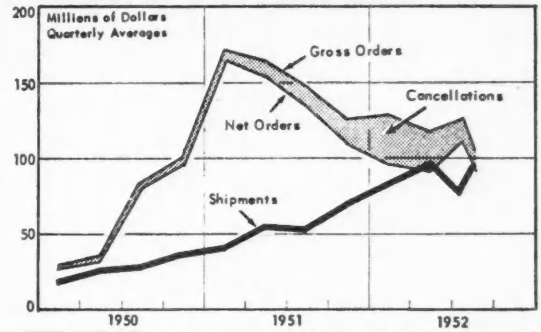
	Net Sales 1st 9 months 1952 (Millions)	Net Sales 1951 (Millions)	Net Per Share 1st 9 months 1952	Net Per Share 1951	Recent Price	Indicated 1952 Div.	Div. Yield	COMMENTS
Black & Decker	$31.0[1]	$30.5	$ 4.42[2]	$ 6.36	33	$ 3.00[6]	9.1%	Post-Korea peak probably passed. Normal demand for light tools expected to hold earnings well above current dividend requirements through 1953.
Bullard	40.5	32.7	3.10	2.78	18⅞	1.75	9.3	Has good current backlog which should expand with execution of Government plan to stockpile machine tools. Earnings in 1953 should equal 1952 results.
Cincinnati Mill. Mach.	93.7	67.0	6.43[3]	4.75	33⅝	2.50	7.4	Backlog of $165 million at half-year mark indicates record 1952 output and 1953 operation with net equal to this year's results.
Ex-Cell-O Corp.	63.6[4]	60.2	5.40[4]	6.35	52½	2.00[6]	3.8	Diminishing demand for some lines of company's tool-output would permit return to normal operations and maintenance of good earnings record providing ample dividend coverage.
Greenfield Tap & Die	13.6	19.7	2.46	5.32	20½	2.00	9.7	Rush by manufacturers to build up supplies of perishable tools has subsided. Normal repeat business should hold up, however, and 1953 net should equal dividend needs.
Monarch Machine Tool	17.2	16.4	2.33	1.77	17	1.20	7.0	Current backlog assures capacity operations for the coming year. Could show record earnings in 1953.
National Acme	29.0	30.2	3.74	4.76	32⅜	3.00	9.3	With a backlog of more than $30 million, 1953 production should be at capacity with close to record net for capital stock now outstanding.
Niles-Bement-Pond	n.a.	46.2	n.a.	3.21	15½	1.15	7.4	Good current backlog of machine tool orders may be increased by proposed Government stockpiling. Output of aircraft accessories likely to hold at high level next year.
Van Norman	21.3	23.9	2.22	3.02	15⅜	1.40	9.1	Perishable tool business declining from peak. Machine tool division likely to operate at high rate into 1953, with earnings paralleling indicated 1952 results.

n.a.—Not available.
1—Company estimate for fiscal year ended 9/30/52.
2—9 months ended 6/30/52.
3—40 weeks 10/4/52.
4—9 months ended Aug. 31, 1952.
5—40 weeks ended Sept. 30, 1952.
6—Plus stock.

toward full mechanization of metalworking plants.

This, however, is looking into the future. At the present time, while our machine tool builders have been busy shipping defense orders, foreign manufacturers have been shipping their products into this country in substantial quantities. Only last November, one of our larger automobile builders is reported to have bought something like 90 or 100 machines of Italian make for a new defense project. Another of our automobile makers is said to have taken delivery recently of 170 radial drills of French make. Altogether, this country, in the first 8 months of 1952, took about $34 million worth of European machine tools, a goodly sum when compared with the 1950 total of $2.2 million. Even that year's volume was about twice normal pre-Korea shipments into this country. The explanation for the gains made by the European tool makers is simple—they were able to guarantee definite delivery date, something American tool builders could not do because of restrictions on non-defense orders. But now that these limitations have been modified, machine tool builders at home are believed to be in a good position to cut foreign shipments down to normal size.

Machine tools: orders fall off sharply as shipments continue to climb;



Foreign Markets Threatened

American machine tool builders, however, appear to have need to be concerned about their ability to hold their own in round-the-world markets. Leaders in the industry who attended the recent European machine tool shows have returned impressed with the improvements achieved by foreign makers and frankly admitting that American products are likely to meet tougher competition in the markets abroad.

In the past, foreign markets have been the source of approximately 25% of American machine tool orders. By the early part of this year, however, the proportion had dropped to 4.5%, the lowest figure on record since the National Machine Tool Builders' Association began compiling industry-wide statistics in 1918. Foreign sales have always been a prop to the American machine tool industry in periods of decline in domestic demand. And yet, in recent years, the administrations in Washington have been so intent on furthering the welfare of the European machine tool industry that no consideration has been given to the effect of such efforts upon the industry at home, even though it is generally recognized that the defensive strength of the United States requires the continuing maintenance of a strong and healthy machine tool industry.

A number of American builders have become convinced that the best way for them to compete in Europe's markets is to have their machines manufactured in Europe. On the other hand, Europeans would like to have their machines produced over here with the result that American and certain foreign machine tool makers have been holding conversations looking toward mutual cooperation in this respect. One American builder is reported having reached an agreement with a French tool maker to have his machines assembled in the latter's plant, giving the French company exclusive selling rights in Western Europe and Great Britain. Similar agreements are expected to be made by other American tool makers with foreign companies, some of which may be under a cross-licensing arrangement whereby American builders will assemble or provide outlets in the United States for foreign machine tools.

Meanwhile, foreseeing the time when our machine tool output will again be at a low point, the industry is agitating for help in the form of tax relief. It stresses the fact that 1951 earnings and those which will be realized in 1952, represent profits that normally would be spread over several years, but instead are concentrated into a period of high excess-profits taxes, price ceilings and renegotiation. By reason of all this, the industry is being left with an unrealistic profit, with not enough remaining to enable it to carry it through the eventual slack period.

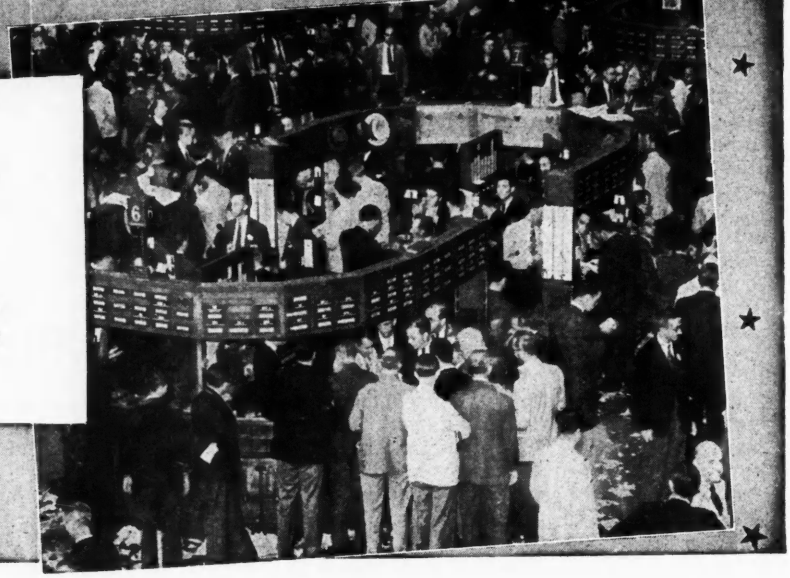
Ask for Faster Write-offs

In addition to this relief, machine tool builders would like to see some action taken that would solve the cyclical dilemma of the industry. Present Internal Revenue Bureau regulations require that machine tool write-offs be spread over 20 to 25 years. This, the industry believes, is strangling modernization, perpetuating obsolescence and vitiating our industrial strength. In place of this hamstringing rule, the industry suggests an amendment to the Internal Revenue Code providing that the rate of write-off of capital invested in productive equipment be optional with the individual manufacturer; that a buyer of a new machine tool be permitted to write it off in two years, five years, or 10 or 20, as he may elect, in the light of circumstances of a particular company.

In advocating such a change, the contention is that machine tool orders from private industry would hold the required velocity in the machine tool industry. Private industry would be given an additional incentive to keep machine tool equipment in the highest state of efficiency, resulting in a steadier and more even flow of orders to the machine tool builders. While this would reduce the cyclical nature of the machine tool business, it would mean that instead of Government stockpiling machine tools, inactive and subject to deterioration and obsolescence, there would be created a reserve of machine tools in the plants of American industry that would be immediately available at a time of emergency.

For the machine tool industry, tax relief and the suggested change in the Internal Revenue Code would do much to level out the hills of spasmodic demand and the dales of little, or comparitively no demand at all. Until such a happy situation prevails, however, the shares of the machine tool builders will represent those of a cyclical business and, on the whole, speculative. As already pointed out, investors must weigh the conditions (*Please turn to page* 316)

FOR PROFIT AND INCOME



"Signal"

In rising cleanly above their August highs, the daily industrial and rail averages have "re-affirmed the bull market begun in mid-1949, according to Dow Theory. Utilities have also recorded a new high. So have all broad averages or indexes of composite stock prices. Without any Dow-Theory hocus-pocus, you can say that a trend is up so long as it is up; and that we now know for sure that the bull market did not end at the August highs. But what can never be "signalled" by a "confirmation" is the scope by which the bull market might be extended above prior highs. For some years now there has been no important further advance or decline following Dow-Theory confirmations of bull or bear trends; but, just on the law of averages, the Theory will sooner or later work better than it has in the post-war period heretofore. It might do so in the present instance, simply because there is now a new factor in the market: namely great confidence in Eisenhower's "No Deal." Confidence is contagious. In entirely unpredictable degree, it can work wonders with any given set of statistics on business activity, earnings and dividends. For instance, the 1942-1946 bull market fed mainly on hopes, with over-all earnings and dividends largely static.

Breadth

On the encouraging side, there has been more breadth in the post-election rise—measured by the number of issues traded, share turnover, number of stocks making new highs and number of stock groups participating—than had been seen since culmination of the most speculative previous phase of the 1949-1952 upward trend in February, 1951. Measured by the behavior of low-priced "cats and dogs," which generally remain far under highs made in 1951 or earlier, there has been little revival in indiscriminating speculation. It is still a selective, largely investment-dominated market. But there are indications of spreading interest in many secondary stocks, with the search centering logically on those believed to have relatively good earnings potentials for some time to come.

Strong Groups

Stock groups showing above-average strength at this writing include autos, auto parts, baking, chemicals, finance companies, electrical equipments, dairy products, food brands, food stores, machinery, paper, tires and tobaccos. There have been the best rallies in some time in coppers and in the long backward steels. Despite some individual exceptions, including Zenith at a new high, television stocks are now having difficulty extending their rise.

Auto Parts

Although at a new high for this bull market, auto accessory stocks on average remain moderately under their 1946 highs, in contrast with the leading automobile stocks. As usual, these issues are moderately priced on earnings. They should have better than average market potentials, given any significant further rise in the general level of stock prices. On the

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Diamond T Motor Car	Sept. 30 Quar.	$ .50	$ .21
Harbison-Walker Refractories	Sept. 30 Quar.	1.28	.74
Commonwealth Edison Co.	9 months Sept. 30	1.69	1.35
Du Pont	Sept. 30 Quar.	1.14	.84
Fairchild Camera & Instru.	9 months Sept. 30	1.32	.49
Marshall Field & Co.	Sept. 30 Quar.	.35	.20
Panhandle Eastern Pipe Line	Sept. 30 Quar.	1.01	.55
Sinclair Oil Corp.	9 months Sept. 30	5.24	4.83
Visking Corp.	Sept. 30 Quar.	1.32	.98
Bullard Co.	Sept. 30 Quar.	2.12	1.27

basis of indicated higher automobile production, active demand for replacement parts, the pick-up in home appliance demand (important to some of the companies) and rising defense deliveries, year-to-year earnings gains are probable for the first half of 1953, and possible for the 1953 full year. This prospect, plus the tendency to accord higher valuations on earnings as a result of increased investment-speculative confidence, might conceivably support a substantial further rise in these stocks. Some of the better issues are Borg-Warner, Clevite, Clark Equipment, Electric Auto-Lite and Thompson Products—but all have had rather wide advances. There are perhaps broader speculative potentials in some secondary issues, such as Motor Products, Bohn Aluminum, Houdaille Hershey, Sheller Manufacturing, and Standard Steel Spring.

Defensive

Even if not dynamically so, defensive-type stocks — including a number recommended here from time to time—have paid off well not only in income return but also in appreciation. Thus, American Telephone, the premier income stock, has been among those rising to new 1952 highs. Now at 161, the current yield of 5.6% still exceeds yields of most good-grade electric utilities. This stock sold a fraction above 200 in 1946. Again, Beneficial Loan, repeatedly cited here, is at a new all-time high of 37⅜, but still yields close to 5.8% on expected 1952 dividends; and is worth holding, although we are now less inclined to reach for it. Incidentally, this seemingly "slow" stock has now had a rise of 90% from its 1949 low, compared with roughly 80% for the Dow industrial average. American Gas & Electric has moved up from around 59 not so long ago to 65½. This reduces the current cash yield from the $3 dividend to a shade under 4.6%, but the 2½% stock dividend recently declared, has a current market value of about $1.64 a share, which is non-taxable. This makes the current over-all gross yield on 1952 payments a little over 7%. Other defensive-type stocks which have recently recorded new highs for 1952 or longer include First National Stores, Brown Shoe, Helme, Kroger, Middle South Utilities, Liggett & Myers, Pitney-Bowes, and Safeway Stores.

Relief From EPT

Possible profit benefits from expiration of the excess profits tax next June 30 will as a rule be largest for growth companies or others whose pre-tax incomes are now at or close to record levels as a result of the stimulus of defense and capital-goods activity. However, a fair number of defensive-type stocks figure to gain significantly on the basis of earnings ex-EPT; and, on average, this should be reflected in dividends to a greater extent than in the case of growth companies and cyclical-type companies, for in relatively stable situations there is usually a more generous percentage pay-out of earnings than in others. Some examples of this kind, all with a substantial EPT liability now indicated by their over-all tax accrual, are General Foods, Reynolds Tobacco, American Snuff, American Home Products, American Tobacco, Carnation Company, General Mills, Great Northern Paper, Helme, International Salt, National Dairy, and Vick Chemical.

Snuff

The manufacture and sale of snuff is supposed—with substantial reason—to be about as static as any business can be. Yet, reflecting higher prices and modest volume gains, the American Snuff Company had 1951 sales about 50% larger than in 1946, and about double those of the prewar year 1936. Earnings were squeezed to $2.73 a share, against $3.14 in 1950 and postwar peak of $3.77 in 1948, partly by higher costs, mainly by higher taxes. The latter were at a 61% rate in 1951. The tax rate may be a little higher this year, with sales at a new peak by a modest margin and earnings down a bit, as indicated by $2.01 a share in nine months through September 30, against $2.07 in the like 1951 period. There is nothing in this situation to get excited about—yet 1951 net would have been around 20% more, or roughly $3.30 a share, without EPT. Since the bulk of earnings is distributed to shareholders, 1951 dividends of $2.55 probably would have been at least $3, as in 1950, without EPT. The stock is at 38, yielding 6.7% on the basis of 1951 dividends. Tobacco costs are leveling off. Return either to a $3 dividend basis or, eventually, to the long-maintained pre-war rate of $3.25, is possible under more normal taxes and costs. The yield at present price would exceed 7.8% on a $3 dividend, exceed 8.5% on $3.25. The stock sold at 50½ in 1946 on net of $1.92 a share and dividend of $2, at 70 in 1940 on net of $2.67 a share and dividend of $3.25, and at 73½ in 1936 on net of $3.32 a share and dividend of $3.25. Its bear market lows were: 1932 21¾, 1938 45¾, 1942 29. Its postwar low was 31 in 1948. It shapes up as a high-yield, low-risk stock which could pay off substantially in appreciation over a period of time.

Beneficiaries

Some medium-price stocks on which earnings could benefit importantly via expiration of the excess profits tax are: Container Corp., Clevite, Champion Paper, Sutherland Paper, Dana Corp., Briggs & Stratton, Elliot Company, Eaton Mfg., Dixie Cup, McGraw-Hill, Lehigh Portland Cement, Penn-Dixie Cement, Owens-Corning Fiberglas, Dow Chemical, Revere Copper & Brass, Reynolds Metals, Sperry Corp., Sylvania Electric, Thompson Products, and Westinghouse Electric.

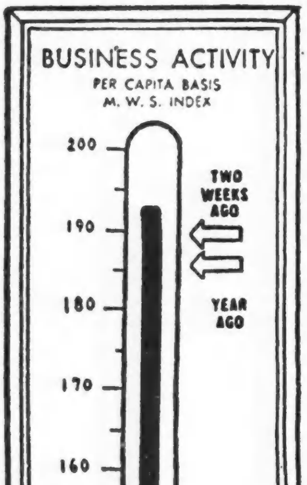
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Sharon Steel	Sept. 30 Quar.	$1.27	$1.96
Diamond Match Co.	9 months Sept. 30	2.14	3.74
Scovill Mfg. Co.	9 months Sept. 30	1.37	2.72
Allegheny Ludlum Steel	Sept. 30 Quar.	.56	1.36
Amer. Brake Shoe	Sept. 30 Quar.	.64	.72
Amer. Natural Gas Co.	12 months Sept. 30	2.16	2.66
Amer. Radiator & S. S. Co.	9 months Sept. 30	.80	1.50
American Seating Co.	9 months Sept. 30	1.55	2.69
Bethlehem Steel	9 months Sept. 30	3.81	6.50
Delaware & Hudson Co.	Sept. 30 Quar.	.93	2.27

What's Ahead for Business?

By E. K. A.

The outlook for export trade, normally a matter of comparatively minor significance to the average American business man, is commanding increasing attention at the present time.



The sharp increase in the industrial potential in recent years and the greater availability of raw materials, particularly the metals, is pointing up the necessity of expanding export outlets for manufactured goods against the time when the domestic market may be less active. This desire, however, is running head on into the steadily increasing shortage of dollar exchange in importing countries and tighter restrictions on its use.

Following the end of World War II, the Latin American countries in particular had large dollar balances here as a result of the heavy purchases of materials made by the United States for Allied account, and were in the market for all types of goods that had been shut off during the war. At that time, the domestic market was capable of absorbing everything that could be produced and even more, and most export managers and exporters were fortunate if they could obtain token quantities of goods. To no inconsiderable extent, Latin American demand has been diverted to Europe where trading can be consummated in the soft currencies. Revival of barter arrangements, quite common during the 1930's, is reported.

European reconstruction has been aided by dollar loans from the United States Government, ECA funds, and MSA grants. There is no question about the fact that dollar aid to Europe will be continued under the new administration in Washington, although it may take a different form and less looseness is likely. At the same time, it is recognized that large-scale direct dollar aid cannot be continued indefinitely.

Imports, including goods and services and income on foreign investments, have been increasing since 1949. But exports, which include military aid not always distinguishable from other types of exports, also have been rising and more rapidly with a resultant widening of the export-import dollar gap. The export surplus this year is expected to slightly exceed $5 billion, most of which will be government financed. In 1953, the export surplus is expected to approximate $6 billion.

American farmers are feeling the pinch of tight dollar exchange and the recovery of foreign agricultural production since the end of the war. The declines in prices of farm products, which definitely are restricting the ability of agricultural areas to purchase goods from other areas, are largely attributable to these causes.

Agricultural production, increased during the war, has been maintained at high levels since. It is estimated in some quarters that one third of the planted acreage has been for the export market. At the present time, farmers are loudest among those in favor of lowering tariffs in order to facilitate increased exports of their products. But farmers, like most other business men, want to see tariffs reduced and imports increased on commodities other than those which they produce. That is one of the big problems in increasing our imports in order to lessen the export-import imbalance. Even now, some industries are protesting at the large flow of imports.

In manufactured goods, the export emphasis now is increasingly on producers' goods, including mining and road-building machinery. Point Four, aid to the backward countries, is due for considerable review and overhauling under the new administration, especially with respect to the application of American industrial and agricultural methods to raise standards of living and thus combat the menace of communist infiltration. For manufacturers and exporters, the revision of Point Four will be an important consideration.

European production of motor vehicles, both passenger cars and trucks, is rising and moving increasingly into export markets to compete with American vehicles. The great European chemical industry is on its feet again and is competing vigorously with American chemicals. Electrical appliances, designed with especial reference to the peculiarities of the voltages and cycles in various countries, are moving freely. Competition from Europe and the ability of many countries to utilize sterling and other soft currencies in payment for European goods are cutting into the American export market for so-called nonessential consumers' goods.

The Business Analyst

HIGHLIGHTS

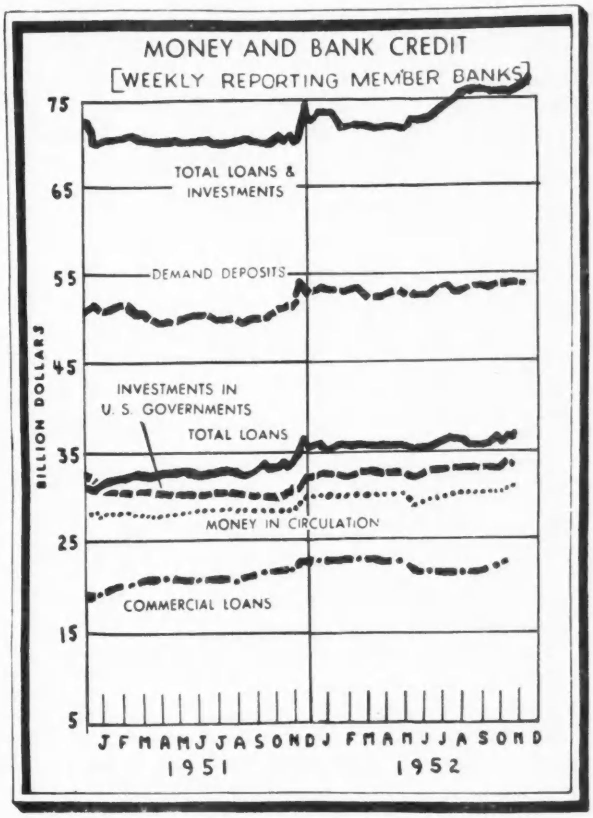
MONEY & CREDIT—Government bonds lost ground in the two weeks ending December 1 with the biggest decline, running to 5/16 point, incurred by the bank-eligible 2½s of 1967-1972. The weakness was coupled with dealer expectation that the new Administration will endeavor to replace short-term maturities by longer term obligations, thus increasing the supply of available long-term investments.

Further proof of the Federal Reserve Board's determination to prevent undue credit expansion has been furnished by the "hands-off" policy it adopted towards the Treasury's recent refunding of $1.06 billion of 1⅞% certificates which came due on December 1. The Treasury had offered holders of the maturing issue, a 2% certificate falling due in 8½ months, but with the Central Bank authorities failing to support the market, investor response was cool and $189.5 million of the old obligation had to be paid off in cash. The Treasury, with an $8.0 billion general fund balance as of November 24 is well-heeled for emergencies and this cash drain did not embarrass it in any way. The incident, however, did serve to further tighten short-term money rates with the result that the Treasury's subsequent sale of 91-day bills cost it 2,049% on an annual basis, a nineteen-year record. The Federal Reserve Board's course will also put the new Secretary of the Treasury on notice that he may not be able to get much help from the Central Bank in meeting next year's maturities which start with the $8.87 billion of 1⅞% certificates due on February 15. Such a development would be an important factor making for higher interest rates all around but this may be counterbalanced by a lessened demand for funds by business next year as industrial expansion slows down.

The nation's money supply—bank deposits plus currency outside the banks—jumped by $2.8 billion in the four weeks ending October 29, to reach a new high at $190.2 billion. The increase was most noticeable in demand deposits which were $2.3 billion higher. In the year ending October 29 the total money supply has risen $8.6 billion or 5% with demand deposits up by $3.7 billion. The fuel behind the latest rise in the money supply was $1.4 billion increase in bank loans, a $1.0 billion expansion in bank investments and a $900 million drop in United States Government deposits. The latter are not included in the money supply but act to swell individual deposits as they are spent by the Treasury.

TRADE—The 9% jump in sales over a year ago which department stores across the nation achieved for the week ending November 22, caused no elation among retailers because the comparison was with last year's Thanksgiving week which had only five shopping days. With the holiday this year falling in the week ending November 29, sales will undoubtedly show a sharp slump. New York district sales for the latter week are already available and show a 20% decline as compared to last year's results.

Retail trade in general, made a very good showing in the month of October with sales, on a seasonally adjusted basis reaching $14.4 billion, an all-time record and $600 million higher than September results. The automotive group again made the best gain with a $400 million rise from September.



INDUSTRY—Industrial production reached a record post-war high in November. The Federal Reserve Board estimates that its seasonally adjusted index stood at 229 for the month, up 2 points from October and 4% above a year ago. Mineral production led the October-November advance with a 4% gain while production of durable goods was 1% higher. There was a slight decline in soft goods which slid to 192 in November from 193 the month before. Output of household goods was unchanged with radio and television production higher and refrigerator output slumping sharply.

Industrial buyers also report business maintaining a high rate and expect this to continue at least through the first quarter of 1953, the Business Survey Committee of the National Association of Purchasing Agents has found. The committee also notes that order backlogs are high although growing more slowly and that inventories are in better balance than for some time past.

COMMODITIES—The Bureau of Labor Statistics Index of primary market prices decline 0.2% in the week ending

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Oct.	4.1	4.2	3.3	1.55
Cumulative from mid-1940	Oct.	476.0	471.9	428.0	13.8
FEDERAL GROSS DEBT—$b	Nov. 26	267.2	265.1	259.5	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Nov. 19	53.3	53.3	52.4	26.1
Currency in Circulation	Nov. 19	30.2	29.8	28.7	10.7
BANK DEBITS					
New York City—$b	Nov. 19	13.8	10.5	12.8	4.26
93 Other Centers—$b	Nov. 19	19.9	15.0	18.0	7.60
PERSONAL INCOMES—$b (cd2)	Sept.	273.3	269.6	257.3	102
Salaries and Wages	Sept.	181	179	169	66
Proprietors' Incomes	Sept.	54	52	51	23
Interest and Dividends	Sept.	21	21	21	10
Transfer Payments	Sept.	13	13	12	3
(INCOME FROM AGRICULTURE)	Sept.	21	20	21	10
POPULATION—m (e) (cb)	Oct.	157.7	157.5	155.0	133.8
Non-Institutional, Age 14 & Over	Oct.	110.1	109.9	109.1	101.8
Civilian Labor Force	Oct.	63.2	63.7	63.5	55.6
unemployed	Oct.	1.3	1.4	1.6	3.8
Employed	Oct.	61.9	62.3	61.8	51.8
In Agriculture	Oct.	7.3	7.5	7.7	8.0
Non-Farm	Oct.	59.9	59.7	60.0	43.2
At Work	Oct.	54.6	54.7	54.2	43.8
Weekly Hours	Oct.	42.5	43.0	42.6	42.0
Man-Hours Weekly—b	Oct.	2.55	2.57	2.56	1.82
EMPLOYEES, Non-Farm—m (lb)	Sept.	47.6	47.1	47.0	37.5
Government	Sept.	6.7	6.6	6.5	4.8
Factory	Sept.	13.2	12.9	13.1	11.7
Weekly Hours	Sept.	41.1	40.6	40.6	40.4
Hourly Wage (cents)	Sept.	169.3	167.0	161.3	77.3
Weekly Wage ($)	Sept.	69.58	67.80	65.49	21.33
PRICES—Wholesale (lb2)	Nov. 25	110.1	110.3	113.6	66.9
Retail (cd)	Sept.	211.1	211.8	207.4	116.2
COST OF LIVING (lb3)	Sept.	190.8	191.1	186.6	100.2
Food	Sept.	233.2	235.5	227.3	113.1
Clothing	Sept.	202.3	201.1	209.0	113.8
Rent	Sept.	142.4	142.3	137.5	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	14.4	13.8	13.2	4.7
Durable Goods	Oct.	5.0	4.6	4.4	1.1
Non-Durable Goods	Oct.	9.4	9.2	8.8	3.6
Dep't Store Sales (mrb)	Oct.	0.87	0.80	0.83	0.34
Retail Sales Credit, End Mo. (rb2)	Oct.	12.7	12.2	11.1	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Sept.	24.5	22.5	21.6	14.6
Durable Goods	Sept.	11.9	10.4	10.3	7.1
Non-Durable Goods	Sept.	12.6	12.1	11.3	7.5
Shipments—$b (cd)—Total**	Sept.	23.4	21.9	20.9	8.3
Durable Goods	Sept.	11.4	10.4	9.7	4.1
Non-Durable Goods	Sept.	12.0	11.5	11.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Sept.	70.7	70.2	71.3	28.6
Manufacturers'	Sept.	43.2	43.1	42.1	16.4
Wholesalers'	Sept.	9.9	9.9	10.5	4.1
Retailers'	Sept.	17.6	17.2	18.8	8.1
Dept. Store Stocks (mrb)	Sept.	2.4	2.3	2.5	1.1
BUSINESS ACTIVITY—1—pc	Nov. 22	193.0	190.3	186.6	141.8
(M. W. S.)—1—np	Nov. 22	233.2	230.1	217.7	146.5

PRESENT POSITION AND OUTLOOK

November 25 to reach a new low for the year. The farm products component of the index fell 0.9% during the week, a decline largely attributable to lower prices for cattle, hogs, eggs and some grains. Processed foods lost 0.7% reflecting declines for flour, meats, cheese, butter and lard. The index of all commodities other than farm products and foods was unchanged with lower prices for lead, burlap and cotton yarn balanced out by increases in wool tops, hides and crude rubber.

Output of **MACHINE TOOLS** rose again in October for the thirteenth straight months to bring the production index of the National Machine Tool Builders Association to 369.2% of the 1945-1947 average. This compares with 206.7% in the same months of last year. **TOOL SHIPMENTS** in October were a little below September and stood at 357.6% of the base period. **NEW ORDERS** received in October dropped sharply to 243.7 from 302.4 the month before. This is a far cry from the year's high of 376.3 reached in July. With new orders falling and shipments high, producers are eating into their order backlogs. At the end of October it would have taken 11.1 months at current production rates to complete all unfilled orders. In September unfilled orders equalled 11.8 months of production while in October, 1951 the ratio was 22.2 months.

* * *

Car builders increased their deliveries of **NEW FREIGHT CARS** to 5,437 units in October from 3,762 in September according to a joint report of the American Railway Car Institute and the Association of American Railroads which attributed the rise to a slight increase in the amount of available steel. In October, 1951 deliveries amounted to 10,082 cars. **NEW ORDERS** were received during October for only 1,423 freight cars, down from 3,628 cars ordered in September and 3,175 in October of last year. With new orders below shipments the order **BACKLOG** on November 1 dropped to 90,708 cars from 95,377 a month earlier. On November 1, 1951 there were unfilled orders for 132,792 cars on the books.

* * *

101,000 NEW HOUSES were started during October, an increase of 3,000 over September and 11,000 above October, 1951, according to estimates of the Bureau of Labor Statistics. The September-October increase was almost entirely in private housing which totalled an even 100,000 units in October. On a seasonally adjusted basis new housebuilding during October was proceeding at an annual rate of

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Oct.	227	226	218	174
Mining	Oct.	165	175	174	133
Durable Goods Mfr.	Oct.	294	287	274	220
Non-Durable Goods Mfr.	Oct.	193	194	188	151
CARLOADINGS—t—Total	Nov. 22	811	829	711	833
Misc. Freight	Nov. 22	389	394	343	379
Mdse. L. C. L.	Nov. 22	74	74	63	156
Grain	Nov. 22	51	52	49	43
ELEC. POWER Output (Kw.H.) m	Nov. 22	7,971	7,884	7,157	3,267
SOFT COAL, Prod. (st) m	Nov. 22	10.4	10.6	10.2	10.8
Cumulative from Jan. 1	Nov. 22	413.5	403.1	478.3	44.6
Stocks, End Mo.	Sept.	83.3	81.2	76.2	618
PETROLEUM—(bbls.) m					
Crude Output, Daily	Nov. 22	6.7	6.6	6.2	4.1
Gasoline Stocks	Nov. 22	124	123	122	86
Fuel Oil Stocks	Nov. 22	52	52	49	94
Heating Oil Stocks	Nov. 22	118	119	106	55
LUMBER, Prod.—(bd. ft.) m	Nov. 22	658	639	511	632
Stocks, End Mo. (bd. ft.) b	Sept.	8.5	8.4	7.9	12.6
STEEL INGOT PROD. (st) m	Oct.	9.8	9.1	9.1	7.0
Cumulative from Jan. 1	Oct.	74.0	64.2	87.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Nov. 27	203	270	179	94
Cumulative from Jan. 1	Nov. 27	14,782	14,579	12,776	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Nov. 22	206	215	144	165
Cigarettes, Domestic Sales—b	Sept.	35	36	31	17
Do., Cigars—m	Sept.	527	485.	491	543
Do., Manufactured Tobacco (lbs.)m	Sept.	19	19	20	28

PRESENT POSITION AND OUTLOOK

1,156,000 units. Under present law the Federal Reserve Board can reimpose housing credit controls if the annual rate exceeds 1,200,000 units for three months in a row. So far this year 966,700 new permanent non-farm dwelling units have been started, which is 10,400 units above volume for the first ten months of 1951 but about a quarter of a million units below the same period in the peak year of 1950.

* * *

EXPORTS from the United States were up $144.7 million from August shipments, valued at $1207.1 million in September, the Census Bureau has announced. The export totals include shipments under the Mutual Security Program of $244.0 million in September and $159.9 million in August. Exports of finished manufacturers increased from $702.4 million in August to $806.1 million in September while exports of crude products climbed by $32.3 million, primarily as the result of a big jump in cotton shipments. **IMPORTS** for consumption in this country were also higher at $882.1 million in September against $815.5 million the month before. Imports of coffee, copper, and watches were larger but there was a decline in crude rubber receipts. A more detailed report on the foreign trade situation is given on page 306. This will be of particular interest to those engaged in the manufacturing end of this business.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

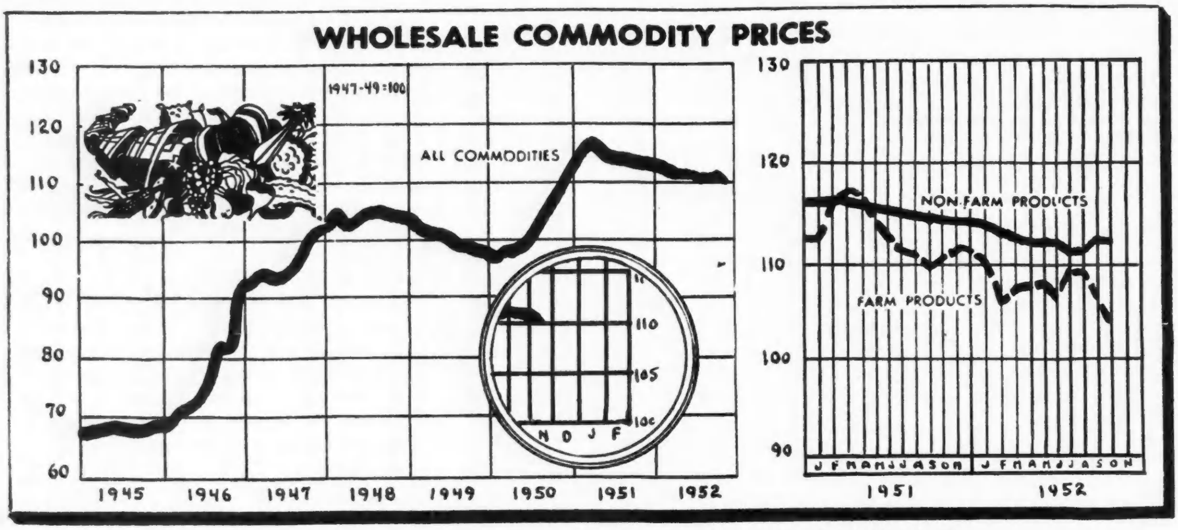
No. of Issues (1925 Cl.—100)	1952 Indexes High	1952 Indexes Low	1952 Nov. 21	1952 Nov. 28
330 COMBINED AVERAGE	202.1	190.7	200.3	203.9A
4 Agricultural Implements	295.8	243.6	258.6	261.6
10 Aircraft ('27 Cl.—100)	346.3	278.2	337.4	346.3A
7 Air Lines ('34 Cl.—100)	777.8	601.1	632.7	672.3
8 Amusement	102.7	77.1	81.0	82.9
10 Automobile Accessories	263.1	232.0	258.3	263.1A
11 Automobiles	45.8	40.2	44.6	45.8A
3 Baking ('26 Cl.—100)	24.0	20.8	23.8	24.0A
3 Business Machines	398.3	358.5	362.5	366.4
2 Bus Lines ('26 Cl.—100)	182.2	141.6	171.7	177.7
6 Chemicals	418.0	356.4	376.7	384.8
3 Coal Mining	16.0	12.9	12.9	13.8
4 Communications	68.3	61.7	64.3	65.6
9 Construction	72.3	64.8	68.2	68.9
7 Containers	490.6	442.8	466.6	476.1
9 Copper & Brass	169.5	138.8	153.3	156.6
2 Dairy Products	92.1	83.2	88.1	92.1A
5 Department Stores	66.0	58.8	60.1	61.4
6 Drugs & Toilet Articles	233.1	205.9	212.7	217.2
2 Finance Companies	413.2	308.1	391.1	413.2A
7 Food Brands	189.2	171.5	187.4	189.2A
2 Food Stores	115.7	97.4	109.6	115.7A
3 Furnishings	75.4	59.3	73.5	75.4A
4 Gold Mining	736.4	629.4	629.4	673.5

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Nov. 21	1952 Nov. 28
100 HIGH PRICED STOCKS	129.1	119.2	126.4	129.0
100 LOW PRICED STOCKS	241.5	225.2	235.1	239.7
5 Investment Trusts	109.8	97.9	106.8	109.8
3 Liquor '27 Cl.—100)	1146.9	843.0	921.7	955.4
11 Machinery	227.0	197.0	225.0	227.0A
3 Mail Order	130.6	113.8	117.7	119.0
3 Meat Packing	100.2	75.7	85.4	86.4
13 Metals, Miscellaneous	307.4	237.8	252.3	252.3
4 Paper	443.7	395.3	431.6	443.7
29 Petroleum	485.1	420.1	433.1	437.4
30 Public Utilities	186.9	162.5	185.3	186.9A
9 Radio & TV ('27 Cl.—100)	37.0	31.1	37.0	37.0
8 Railroad Equipment	64.3	56.1	58.6	60.5
24 Railroads	49.8	41.3	48.2	49.8A
3 Realty	48.5	38.2	48.1	48.5
3 Shipbuilding	226.8	181.0	213.9	226.8A
3 Soft Drinks	330.5	301.2	317.0	317.0
14 Steel & Iron	154.8	130.8	141.3	144.3
3 Sugar	73.1	58.9	62.5	60.4
2 Sulphur	616.3	530.4	585.1	590.5
5 Textiles	197.4	148.5	152.4	158.3
3 Tires & Rubber	81.7	66.9	78.1	81.7A
6 Tobacco	90.7	78.6	89.9	90.7A
2 Variety Stores	319.6	294.8	301.0	301.0
18 Unclassified ('49 Cl.—100)	119.7	112.7	118.6	118.6

A—New High for 1952.

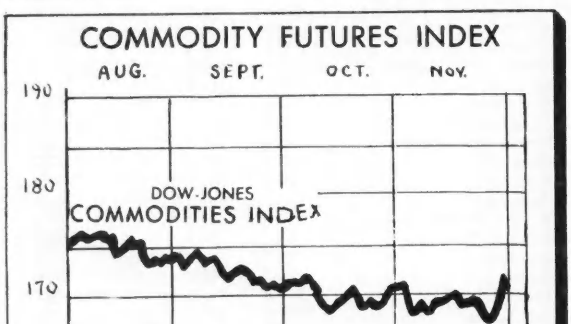
Trend of Commodities

Commodity futures exhibited strength in the two weeks ending December 1 with Russian rejection of the Indian truce proposal on Korea giving a fillip to most prices. The current advance is in contrast to the sidewise movement of recent weeks. The Dow-Jones Commodity Futures Index rose 2.89 points during the period to close at 172.55. Corn, soybeans, cotton, cocoa, wool, sugar, hides, rubber, coffee, and cottonseed oil all finished with net gains while wheat, oats, rye, lard, zinc and lead were lower. May wheat lost 1½ cents in the fortnight to close at 245½ after being down to 240½ on November 25. The main influence making for lower prices was widespread rain in many of the drought-stricken areas. Wheat supplies are large and export demand poor but the Government loan program remains as a supporting influence. May oats lost one cent in the two weeks ending December 1 as continued imports of the grain from Canada weakened the price structure. However, consumption of oats so far this season compares favorably with last year and this has been a factor in the market, acting to prevent steep price declines. July cotton gained 46 points during the period under review to close at 36.18 cents as pressure of selling by growers slackened considerably. Most of the crop has already been ginned and a large part has been sold by farmers. (Note: Followers of the Labor Department's Price Index of 28 commodities which has always appeared on this page, will note that the data looks unfamiliar this week. This is the result of a thoroughgoing revision of the index by the Labor Department. The base period has been changed from August 1939 to 1947-1949 and six commodities which were not sensitive to market fluctuations have been dropped from the index.)



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

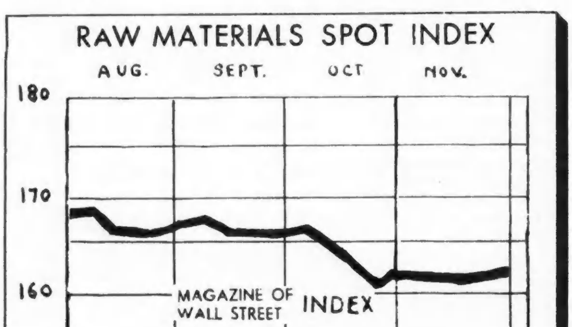
	Date Dec. 1	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	91.4	91.6	96.0	108.5	53.0
9 Foodstuffs	85.8	86.8	93.9	95.6	46.1
3 Raw Industrial	95.2	94.9	97.4	118.3	58.3
5 Metals	107.8	108.4	113.7	125.3	54.6
4 Textiles & Fibers	94.4	93.8	96.8	116.4	56.3
4 Fats & Oils	57.7	59.0	65.1	76.4	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	168.3	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	163.7	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Keeping pace with the growth of Long Island, the **Long Island Lighting Co.**, has placed in operation a 100,000 kw. unit designed and equipped to burn coal, fuel oil or natural gas. This new facility represents the first step in a $50 million program that will almost double the company's electric generating facilities by 1954. The new unit is regarded as one of the most modern and efficient power stations in the United States. A duplicate unit is being constructed at Far Rockaway for operation in 1953, and a second unit will be added to that just opened for service in 1954. A new plant is projected for construction on property to be acquired from the Town of Hempstead, the first unit of which will have 160,000 kw. capacity, scheduled for completion in 1955.

Industrial activity has found its way into the bayou country of Louisiana. With a plant that "floats." **Freeport Sulphur Co.**, has begun to draw from this area of marsh and water, molten sulphur, output of which, it is estimated, will approach approximately 100,000 long tons a year. The water-borne plant, the only one of its kind in the world, was built by the company because of the prohibitive cost of constructing a permanent installation on such terrain. Not only is the plant an innovation in sulphur mining, but the use of sea water as a mining "tool" instead of fresh water, which was not available, is also entirely new. The process was made possible by Freeport Sulphur's eight years of research on the problem.

Freight car builders are invited by **Southern Pacific R. R.**, to submit bids on another 2,000 new freight cars, although 6,300 cars are still to be delivered on the road's previous orders. The new orders will include mostly gondolas and open and covered hopper-bottom cars. Although cost of the new cars cannot be determined until bids are in, it is estimated that their cost will raise to more than $440 million the road's appropriations for postwar equipment, including its portion of the money spent for 10,200 new refrigerator cars for the jointly owned Pacific Fruit Express Co. Acquisition of new rolling stock as well as extensive expansion of plant facilities in the postwar era, the company states, are to meet the needs of national defense and are in keping with population and industrial growth in its territory.

Goodrich-Gulf Chemicals, Inc., the offspring of **Gulf Oil Corp.**, and **B. F. Goodrich Co.**, was brought into existence recently for the purpose of exploring projects in the petrochemical field in which the parent companies have strong complementary interests. All eight seats at the directors table of the new company will be occupied by equal representation of the parent companies which will have equal stock ownership.

A new coaxial cable system, with triple the telephone circuit capacity of those now in use, has been developed by **American Tel. & Tel. Co.'s** Bell Telephone Laboratories. The new system, known as "L-3" carrier, will enable one pair of coaxial pipes (pencil-size tubes of copper within the cable itself) to handle simultaneously more than 1,800 telephone conversations or 600 telephone conversations plus one television program in each direction. It will be the first carrier system capable of carrying TV signals and regular telephone conversations over the same pair of coaxial pipes at the same time. Upon completion of exhaustive field trials now under way, the new system is expected to go into actual service on circuits between New York and Philadelphia early in 1953.

Sometime next year, **The National Cash Register Co.**, expects to have in operation an experimental model of a device that may some day revolutionize methods of inventory control in retail stores. Emphasizing that the device is an experiment and that its practical use may be years away, the company believes it may prove to be the "bridge" between present equipment and future application of electronic principles in the business machine field, upon which National Cash Register has been working for many years. The mechanism will attach to a regulation cash register, and transactions will be recorded in the regular way, but with electrical impulses transmitted to the new device punching holes in a paper tape. The holes will correspond with the control figure recorded on the register. The tape, upon being run through regulation punch card equipment, would convey the information to cards. The device may revolutionize the method of keeping unit, price line and classification inventory control in retail stores.

A further indication of the trend toward fully air conditioned homes is seen in Gunnison Homes, Inc., **U. S. Steel Corp.'s** housing subsidiary, plan to offer its prefabricated houses with year-round air conditioning as optional equipment. The building company has entered into a contract with the **Carrier Corp.**, under which the latter will supply its heating and cooling units which Gunnison will make available next year for installation in houses selling from $7,000 to $12,000.

By spraying hot paint instead of the usual cold material, **Reo Motors, Inc.**, which developed the system, finds that its trucks and busses come out of the paint shop with a smoother, finer finish than anything ever before achieved. The method has proven so satisfactory that Reo is understood to have made a change-over in its painting equipment, installing $50,000 worth of new equipment.

Investment Audit of Union Carbide & Carbon Corp.

(*Continued from page* 300)

a share, against 81 cents in the corresponding three months last year. For the first nine months net profit amounted to $2.45 a share, compared with $2.67 in the first three quarters of last year, a satisfactory showing considering higher tax rates and the restrictive influence of a shutdown in most of the nation's steel mills for almost three months.

Sales for the year, including record fourth quarter business, are expected to range comfortably above last year's $927.5 million and shipments in the next year or two are believed destined to run well above $1,000 million. Net profit may fall slightly short of the 1951 showing of $3.60 a share, but with tax relief in the coming year, optimists are hopeful of an increase in earnings to a new high exceeding 1950 results of $4.30 a share. Profit margins are expected to improve with the benefit of operating efficiencies obtained in new plants. Moreover, substantial increases in volume are scheduled to come in next year and in 1954. Elimination of the excess profit tax at mid-1953 would afford some relief.

Although the management has been relatively generous in its dividend policy, somewhat above average for the chemical industry, cash position has been maintained at a high level and finances have been kept strong. Dividends have held at the equivalent of $2.50 a share for the last three years, prior to which the rate was equal to $1.83 on the present stock in 1948, $1.33 in 1947 and $1 a share in each of the preceding years.

Cash items at the end of 1951 totaled about $197 million, including $85 million in government bonds. Total current liabilities stood at $237.4 million. This was the first instance since the war that current liabilities had exceeded the cash position, for in the preceding year cash and governments had amounted to $214.6 million, against $177.9 million current liabilities. With the benefit of $100 million borrowed from insurance companies on the $300 million credit arrangement, it seems apparent that the cash position again has been materially bolstered.

Carbide shares have been selling recently slightly below the all-time high recorded earlier in the year at 68, which compares with the 1952 low of 57. At about 64 to 65, the stock yields slightly less than 4 per cent on the $2.50 annual dividend, but this return compares favorably with chemicals in today's market. In view of the management's traditional liberality toward stockholders, prospects are regarded as promising for a higher rate in 1954 if not next year, since with a measure of tax relief it is not too far fetched to project earning power in the range of $4.25 to $4.50 a share. Such a showing, assuming that some reduction in expansion would seem to warrant hope of a expenditures can be envisioned, boost in distributions at least to the realm of $3 a share annually.

Although the shares scarcely would be regarded as "on the bargain counter" with a price tag approaching the best on record, compared with the 1929 top of just under 47, still they have attraction for longer term holding and deserve careful consideration in event of a market setback which might provide more attractive price levels.

Important Dividend Changes in 20 Major Groups

(*Continued from page* 290)

change, of course, was due mainly to the effect of high taxes, though higher costs have also played a part. In any case, it is significant that while the net margin of profit has declined, the amount of dividend payments has increased. Thus the figure this year will probably be about 8% above 1950.

It is expected that profits, after taxes, were somewhat higher in the final half of 1952 than during the first, with this trend continuing at least through the first quarter of 1953. However, speaking generally, the margin of earnings over dividends has declined to a point where some doubt should be expressed about the longer-range prospect, especially with regard to those companies whose margins have been restricted for a considerable period, and whose ratio of current assets to current liabilities has declined as a result, partly of business conditions, and partly of excessive dividend payments.

Before discussing the dividend prospects of the groups listed in the table, it is pertinent to observe with respect to individual companies, that the ratio of dividends to earnings, while highly important as an index of future dividend stability, must be considered in connection with the financial position. Companies that are in a strong financial position—the leading corporations are a characteristic example—can afford to continue dividend payments at a comparatively high rate, at least for a considerable period, even though earnings may temporarily decline. This has been illustrated in the year now ending by such companies as General Motors, U. S. Steel, Chrysler, and International Harvester which continued dividends at the old rates despite intermittent interruptions to sustained earnings.

In the following, we comment briefly on the medium-term dividend prospects for the groups listed in the table:

aircraft. Moderately higher payments can be expected, as a result of stepped-up military production. Gains in earnings will not be fully reflected in dividends, however, owing to heavy demands for capital.

amusement. Earnings margin remains unimpressive and lower dividends for most companies remain a distinct possibility.

automotive. Earnings outlook generally more favorable. Present dividend rates for principal manufacturers can be maintained with several of the larger companies in a position to increase payments.

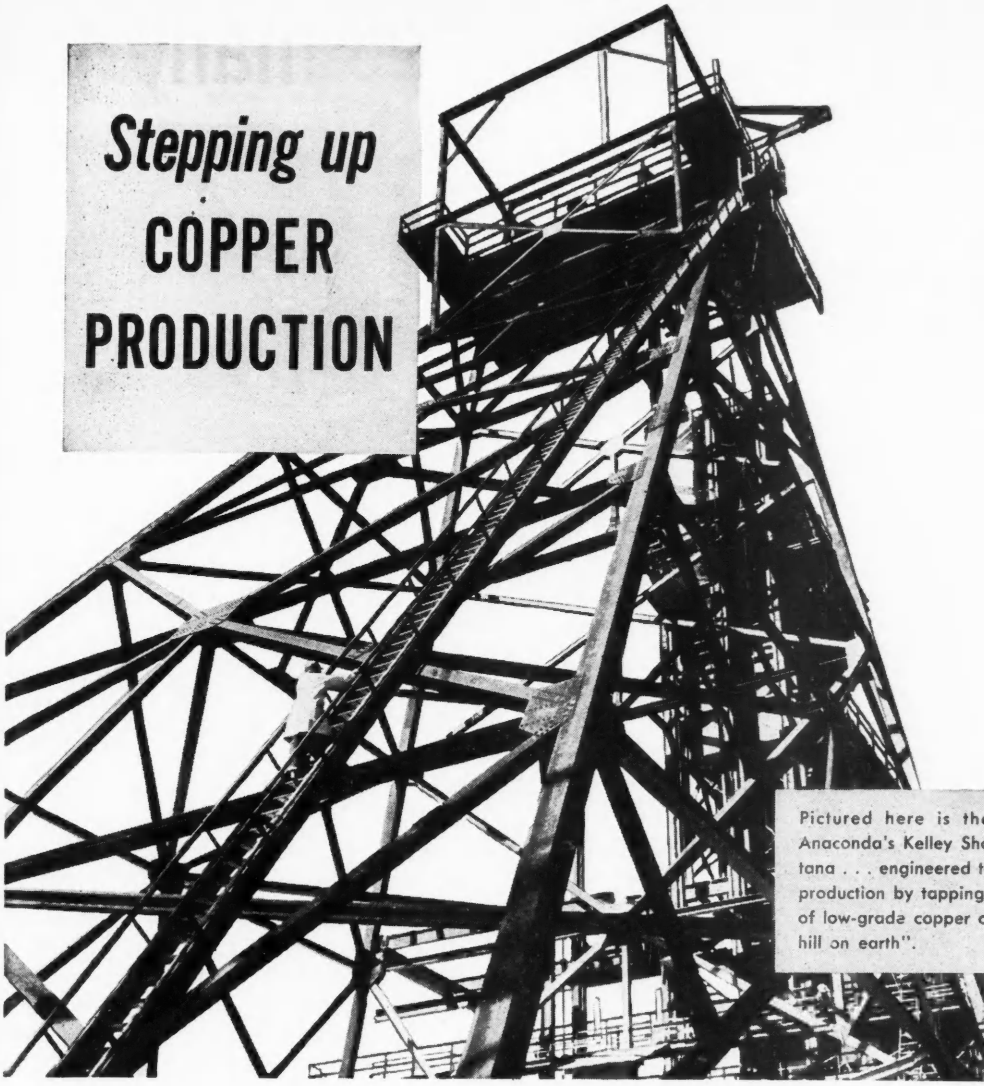
building. Earnings are moderately lower, owing to high taxes and some slackening of business in individual lines. Outlook now improving and most dividend rates of the entrenched companies in a safe position. Financial position an important factor.

chemical. While conditions are improving, net margin profits are somewhat under last year. Most companies in strong financial position and can continue their regular rates which are characteristically moderate in relation to earnings.

electrical equipment. Conditions show sharp improvement and earnings for leading companies are at their highest levels. Larger regular dividends not likely, but stock dividends may supplement cash outlays. Dividends generally

(*Please turn to page* 316)

Stepping up COPPER PRODUCTION



Pictured here is the headframe of Anaconda's Kelley Shaft at Butte, Montana . . . engineered to increase copper production by tapping the vast deposits of low-grade copper ore in "the richest hill on earth".

This 178-foot headframe straddles the huge new Kelley Shaft at Butte, Montana . . . focal point of Anaconda's $27,000,000 Greater Butte Project.

Beneath it lie at least 130 million tons of proved low-grade copper ore, not economically practical to mine heretofore. The process used is an adaptation of the mining method called "block-caving". The Greater Butte Project is already producing at a rate of more than 6,000 tons of ore per day, with a steady increase scheduled until a daily output of 15,000 tons is achieved . . . all in addition, of course, to Anaconda's present production from other areas of Butte hill.

This $27,000,000 project is but one phase of Anaconda's company-wide expansion, improvement and modernization program. Increased zinc capacity . . . a new open pit copper mine being readied for production at Yerington, Nevada . . . an immense new sulphide plant now starting to produce additional copper in Chile . . . an aluminum reduction plant . . . modernization and expansion of fabricating plants . . . are other phases of this Anaconda program.

52327A

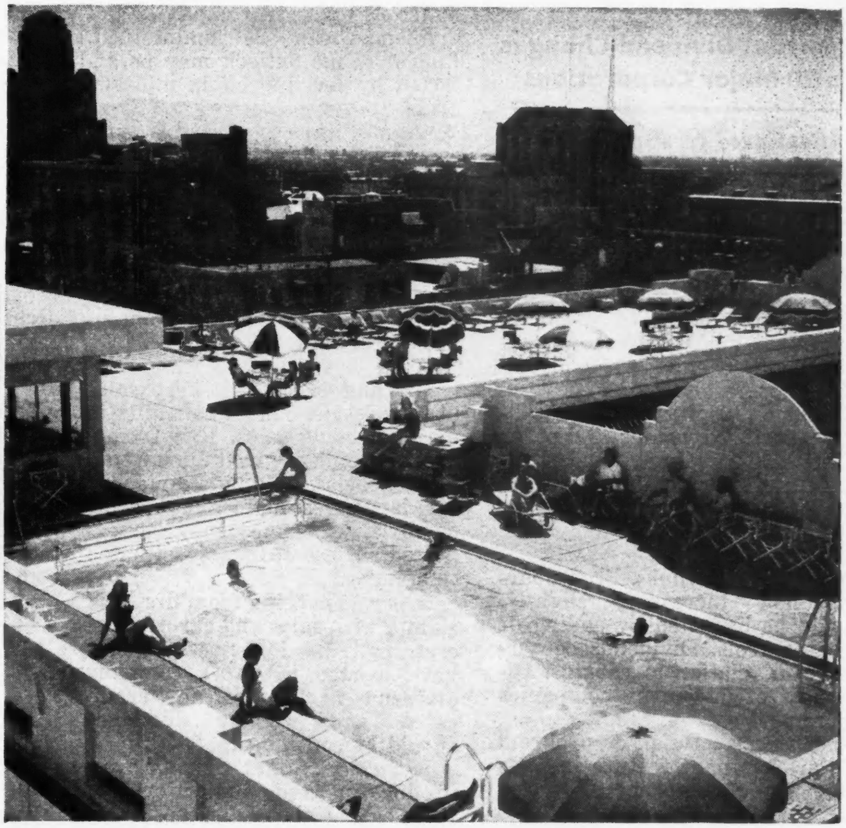
ANACONDA

COPPER MINING COMPANY

Anaconda Sales Company
The American Brass Company
Anaconda Wire & Cable Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company
Anaconda Aluminum Company
International Smelting and Refining Company

ob so well

...ODY LIKES stainless steel. One of ...rliest household uses—for knives, ...and spoons—demonstrated so well ...trength, durability, low cost and ...looks of stainless steel that today ...reds of items for the home are ...of "the miracle metal."



SIX STORIES UP! This Sky Patio pool, offering still another attraction to winter visitors in Phoenix, Arizona, is perched blithely on top of a midtown hotel. The all-steel pool, and its steel underbracing that extends clear down to the foundations of the building, were fabricated and erected by United States Steel.

OIL IS WHERE YOU FIND IT . . . even in your own back yard. Light-weight, portable derricks or "masts" like this, made of extra strong U·S·S High Strength Steel, help the oil industry to dig new wells more quickly and more easily. Below: derrick at site before lifting into position.

FACTS YOU SHOULD KNOW ABOUT STEEL

More iron ore was produced last year in the United States than ever before in history. The total came to an estimated 130.4 million net tons, an increase of 19% over 1950.

Listen to . . . The Theatre Guild on the Air, presented every Sunday evening by United States Steel. National Broadcasting Company, coast-to-coast network. Consult your newspaper for time and station.

MANUFACTURED FROM USS STEEL UNITED STATES STEEL

NITED STATES STEEL

This trade-mark is your guide to quality steel

Helping to Build a Better America

...AN BRIDGE . . AMERICAN STEEL & WIRE *and* CYCLONE FENCE . . COLUMBIA-GENEVA STEEL . . CONSOLIDATED WESTERN STEEL . . GERRARD STEEL STRAPPING . . NATIONAL TUBE ...L SUPPLY . . TENNESSEE COAL & IRON . . UNITED STATES STEEL PRODUCTS . . UNITED STATES STEEL SUPPLY . . *Divisions of* **UNITED STATES STEEL COMPANY, PITTSBURGH**
GUNNISON HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

Important Dividend Changes in 20 Major Corporations

(*Continued from page* 312)

quite secure. Electronics and TV especially active.

farm machinery. Earnings generally lower but since dividends are conservative with respect to earnings, regular payments should be maintained. Demand for farm machinery continues strong and earnings should improve moderately.

financial. High rate of installment credit extensions and other activities providing broad base for future operations. Profit margins slightly lower due to taxes but dividends for most companies quite secure.

food and beverages. Profit margins now increasing slightly. Should be benefited by ending of price controls. Dividends conservative in relation to earnigs. Dividends of stronger companies secure.

machinery. Defense program still predominant feature in sales expansion. Near-term outlook satisfactory for most companies and dividends can be maintained. Longer-range outlook may be affected by leveling off in military orders.

mining. Earnings trend is moderately downward and price weakness, noted in lead and zinc. Copper remains stable for the time being. Outlook is generally fair but will not match peak earnings of 1950-51. Dividend rates, however, are conservative in relation to earnings and can be maintained for larger companies.

office equipment. Arms shipments and electronics keep sales at high levels. Some weakening in major product sales. Relief from excess-profits tax next June would be beneficial. Regular dividends for larger companies but some downward changes may be expected in less favorably situated companies.

paper. Emerging from first half slump, with sales and earnings increasing. Any danger which may have existed to paper company dividends in first half now eradicated and regular dividends should be continued.

petroleum. Slight signs of overproduction and indications of price easing, though on most modest scale as yet. Owing to higher reserve charges, net earnings for 1952 under those of preceding year but still highly satisfactory. Regular rates should be continued and a few higher payments where earnings margin over current dividends is exceptionally large. Dividends for natural gas companies in secure position and should expand.

retail trade. Mixed trends in earnings with some erosion in dividends likely where earnings margin has weakened. Near-term prospects for merchandisers improved but chronically low profit margin a handicap except for the strongest-situated companies. Dividends of latter, however, are secure.

rubber. Recent trends favorable and outlook for near-term satisfactory. While 1952 earnings are under 1951, substantial margin of earnings over dividends fortifies latter, especially in view of improving prospects. Dividends for all leading companies secure.

steel. Loss of earnings due to steel strike now being recovered. Outlook for first half 1953 for substantial earnings. Margin of earnings over dividends ample for going rates. While regular rates are secure, fewer extras likely.

textile. Profit margins increasing over depressed levels earlier this year. Dividend cuts and omissions, however, probably will continue among companies weak in working capital. Regular rates can be maintained in the well-established companies, especially those with long dividend records.

tobacco. Sustained sales for cigarette manufacturers plus ending of rise in costs producing improved earnings. Regular rates of dividends now more secure than earlier in the year.

public utility. Revenues generally increasing and profit margins substantial. Equity financing tending to dilute per share earnings but over long-term these effects will tend to disappear. Most dividends covered by adequate margin and represent one of the most dependable sources of income among common stocks.

Have Machine Tools Seen the Peak?

(*Continued from page* 303)

underlying each one of these companies individually in order to arrive at a conclusion as to the current situation and the prospects of each.

In this connection, we present herewith a compilation showing, among other data, per share earnings for the first 9 months of this year, compared with full 1951 results, and our comment as to the outlook for each of the companies listed.

While the companies are grouped as machine tool makers, attention is directed to the difference in the products of some of them compared with others. For instance, Greenfield Tap & Die is a producer of what industry refers to as "perishable tools" such as reamers, drills, taps and dies. These are in sharp contrast to milling machines, lathes, jig borers, hobbers and boring mills produced by Bullard, Cincinnati Milling Machine and some of the others in the machine tool industry. Ex-Cell-O's operations are not confined to producing machine tools. An important division of its business is the manufacture of Pur-Pak paper milk containers and dairy equipment in connection with this method, and for some-time has been a major producer of component parts for the aircraft industry.

SMOKING PLEASURE . . . PAST AND PRESENT

Big Chief of Fine Tobacco Products!

Cigar store Indians made their last stand in America about 50 years ago. Today these wondrous warriors and brightly painted maidens live only in the happy hunting ground of antique shops and museums.

When wooden Indians first stood guard outside tobacco stores, P. Lorillard Company was nearly 100 years old. Established in 1760, the makers of Old Golds are America's oldest tobacco merchants. We have grown up with tobacco—right from snuff and peace pipes to the present popularity of cigarettes.

Today more and more people are smoking Old Golds and Lorillard's other fine tobacco products. During the first nine months of this year, Old Gold sales registered the largest percentage increase in the standard size cigarette field. In the king size field, Embassy sales increased at a rate about double that of the industry. Public demand for Lorillard's new Kent cigarette with the MICRONITE filter continues to exceed factory capacity, despite stepped-up production.

Lorillard's diversified line of fine tobacco products is backed by nearly 200 years of tobacco experience. The richness of its past and the success of its present give P. Lorillard Company —and Lorillard stockholders—full confidence in the future.

P. Lorillard Company

AMERICA'S OLDEST TOBACCO MERCHANTS • ESTABLISHED 1760

Leading Products of

P. LORILLARD COMPANY

Cigarettes

OLD GOLD
EMBASSY
KENT
MURAD
HELMAR

Smoking Tobaccos

BRIGGS
UNION LEADER
FRIENDS
INDIA HOUSE

Cigars

MURIEL
HEADLINE
VAN BIBBER
BETWEEN THE ACTS

Chewing Tobaccos

BEECH-NUT
BAGPIPE
HAVANA BLOSSOM

Our January 10 and 24 issues will contain a comprehensive forecast of the business and investment outlook for 1953.

Our Problems with Britain and France

(Continued from page 289)

In conclusion something ought to be said about our contribution to a more permanent solution of Britain's and France's problems. To repeat the so-much quoted recipe of Mr. R. C. Leffingwell of J. P. Morgan's "first and foremost, for our own sake and Europe's sake, we should manage our economy so that it will continue to grow and prosper, but without inflation. . . . Our fiscal and monetary policy must be of a middle-of-the-road policy, avoiding rigorously both inflation and deflation."

As to how we can insure Britain's and France's earning more dollars, which they will need for payment for our exports, the following are the recommendations of the American Chamber of Commerce in London:

1. We can lower our tariffs; we can simplify our customs procedures; we can eliminate all import restrictions by quotas. We must reenact on a more permanent basis the Reciprocal Trade Agreements Act. We can reconsider our antidumping laws; we can repeal the "Buy American Act," we can go further than this repeal and make it mandatory on U. S. Government agencies, in the interest of the American taxpayer, to satisfy their buying requirements in the cheapest markets—whether in or outside the United States.
2. We can stimulate foreign travel; we can give our tourists greater tariff exemption on goods which they bring home.
3. We can encourage American investments abroad especially in equity form by concluding appropriate treaties with foreign countries and by giving suitable protection and tax incentives to American concerns operating abroad. In developing this investment program we should give every encouragement to the International Bank for Reconstruction and Development which is doing an enlightened and efficient job in this sphere. We commend the work of the Export-Import Bank as well, but feel that some of the Congressional directives to it should be liberalized to facilitate the earning of dollars by other countries. We can encourage closer co-operation between British and American agencies for the provision of capital to develop the resources of the sterling area. We can temper the administration of the U. S. anti-trust laws so as to take into account the laws, customs and practices of the countries in which American companies operate outside the U. S. A.
4. We can ensure that, as a general rule, the proceeds of loans we make to foreign countries are available for expenditures outside as well as inside the United States. The dollars we lend are

homing birds. Even if dollars lent to South America are used to buy equipment in Britain and Britain then uses them to buy wheat from Canada, they will ultimately come back to the United States through some such deal as a Canadian purchase of American steel. In that way the proceeds of an 'united' loan will have lubricated a volume of world trade many times the amount lent—and everybody, the United States included, will have benefited.

5. We can expand the Point Four technique with more emphasis on free enterprise, and help make underdeveloped areas more productive, especially in primary products. The vast industrial development of the past few years has outstripped the output of food and raw materials.
6. We can ensure regularity of operations when the U. S. Government buys for the stockpile; we can enter into long-term purchase contracts for raw materials, especially minerals.
7. We can, among our NATO allies, continue to buy military equipment and supplies with U. S. dollars.
8. We can generally practice economic and monetary policies at home which will be conducive to internal stability—since our stability is a prerequisite to world stability. A very small recession in business in the U. S. A. decreases American imports sharply and has a devastating influence on those countries whose economies are largely dependent on the export of one or two commodities.

Glamorous . . . Rare Minerals and New Metals

(*Continued from page* 294)

the job of National to mine the titanium oxide and process it into ingots which Allegheny Ludlum alloys and fabricate into forgings, is to remelt, process into titanium bars, sheets, strip and wire.

The foregoing examples barely begin to tell the far-reaching story of exploration and development of hitherto unused or little used metals and minerals. It would take a five-foot shelf to catalogue these mammoth projects.

Their impact is felt in such remote places as Idaho, where jet engines and atom bombs are shaping up a new mining boom in some of the abandoned gold fields. Rivers and creeks, once dredged and sluiced for the yellow metal, now are getting a thorough going-over for monazite sands which may have more total value than the gold first obtained.

Monazite sands hold many of the rare-earth minerals badly needed by industry. The very complex monazite contains about 4% to 5½% thorium, a radioactive and fissionable material used by the Atomic Energy Commission.

The sands also yield lanthanum, cerium, praseodymium, neodymium, samarium, europium, terbium, dysprosium, holmium, erbium, thulium and lutetium. These metals go into alloys for cigarette-lighter flints. They are used to clean, filter and strengthen aluminum. They help to produce flashlight powder.

Much of the Idaho output finds its way to Lindsay Light & Chemical Co. of Chicago. The company has been getting monazite sand at the rate of 1,000 tons annually. The company predicts that by the end of this year its consumption will rise threefold.

It was the development of the incandescent gas lamp that forced the commercial utilization of the various elements in monazite sand in 1885. A mantle tough enough to withstand the gas heat was required and thorium was found best to perform the feat. Because thorium is only a small part of monazite, chemists and metallurgists sought ways to use the residue. The United States was the world supplier until 1895 when

(*Please turn to page* 320)

Glamorous . . . Rare Minerals and New Metals

(*Continued from page* 319)

Brazil began exporting. By 1910 the more costly production of the United States had come to a halt. Except for a small output from 1915 to 1917 this country mined none in any quantity until recent months.

Lest the conclusion be drawn that industry generally will not utilize these new materials until some distant tomorrow, it might be well to cite a poll of the National Metal Congress & Exposition held in Philadelphia in October of this year. Members were asked whether they were using such structural materials as titanium, vanadium, zirconium, metal-ceramic combination and molybdenum.

The answer was yes from 48% and no from 52%. It was found that 26% were using molybdenum, 22% titanium, 16% vanadium, 7% metal-ceramic combination and 5% zirconium.

This much is certain in the land which has evolved the finest industrial technique the world has ever seen: American brains and know-how will find and utilize metals hitherto unknown. And our industrial genius will discover new uses for the long accepted ores.

In the case of aluminum, for instance, we are about to witness vastly greater use in troop-carrying equipment and in the motor industry—in such items as torque converters, clutch housings, pistons, carburetors, body trim and brakes. Intensive development work is going on right now on aluminum radiators, cylinder heads and blocks.

In conclusion, a thorough study of the potential of our metals and minerals, old and new, should be eventually rewarding to the investor.

American Corporations Since the 20s

(*Continued from page* 281)

corporations, small business, big business and the individual. This process of continually finding better ways to make better things for less money carries its benefits right down the line in the form of better wages for the individual workers, whether or not they belong to this union or that, or to no union at all.

In earlier days, our industrial picture grew, often haphazardly. Some man got an idea, designed a useful article, scraped together some capital and put his product on the market. He prospered or he flopped, but mostly his operation grew. Other people got ideas too. They came into the market, they offered competition, sometimes wasteful, but competition. These businesses remained, to a large extent, one-man operations. Then, gradually, it dawned upon some of them that business to be successful, must be a team, not a one-man affair. Out of this con-

cept has grown the American corporation of today. The process has been one of pooling brains as well as cash and physical resources. Despite this pooling of "brainpower," this teamwork, the spirit of competition has remained alive in the sure knowledge that as one operation profits in its field, other operations—some of them competitive – likewise profit. Loss or failure by one corporation cuts in the prosperity of the others, just as the loss of a single index finger will detract somewhat from the efficiency of the whole human body.

In Europe and Asia, corporate development has been along entirely different lines. Or more properly, it should be said that corporate development in the Old World has never gotten away from the one-man—or one family—basis. There has been no free interchange of information, no extended research, no pooling of "brain power." The result has been obvious. The Old World is almost centuries behind the United States industrially, economically, even culturally. And how many people realize that the American corporations, through endowments to colleges and universities for the purpose of advancement of knowledge, the creation of more "brain power" have contributed immeasurably to the culture of this Nation. That the American system of big corporations, freely interchanging information, building communities, spending millions for research, hunting for new ways to make new products for less money, is the best system was amply proven in World War II. It was the American corporate giants, through their inventive genius and their capacity for production which enabled our gallant GI to turn back the forces of totalitarianism.

Two appointments of the President-elect point up the import of the American corporation. The writer refers to Gen. Eisenhower's selection of Charles E. Wilson to be Secretary of Defense and George M. Humphrey to be Secretary of the Treasury. Both might be impersonally described as "products" of American corporate enterprise as we know it today; both are industrialists who have grown with and contributed to the growth of giant corporate entities. The man who heads up our Defense Department will have the management of the world's larg-

(*Please turn to page* 322)

American Corporations Since the 20s

(*Continued from page* 321)

est organization concerned with production and distribution, while the Secretary of Treasury will have the Herculean task of financing the operations of the former, as well as of the whole Government structure, and at the same time steer us clear of national bankruptcy at a time when alien forces are trying to bring about our economic collapse. It is doubtful that either man or his talents would be available but for their development with the American corporation system. In addition to tremendous abilities—enlarged by their corporate experience—both men will bring to their jobs a consciousness of their obligations to the working men and women of the Nation who will have to execute the millions of details of their planning for a better system of defense and a firmer financial structure.

More Liberal Views Towards Labor

And as the two outstanding corporation executives bring to their new tasks the corporate concept of doing big things in a big way, with a fair share of prosperity for labor, other big corporation executives across the land have equally liberal views toward their labor. They realize that as labor prospers labor has the funds with which to buy from the corporations. At the turn of the Century, when the late Samuel Gompers was getting his great American Federation of Labor together, and at the same time studying Karl Marx, the cleavage between labor and capital was sharp, often marred by bloody clashes on the picket line. This condition prevailed until recent years, then, one by one, the big corporations, pooling their ideas, aware of their social responsibilities came to the conclusion that the well-paid laborer was a valued asset; the most valued asset, in fact—he was the customer of the corporations. The labor-management cleavage has not entirely disappeared, but today management works more closely with labor than ever before and does more for labor than is called for in the union contract. The writer refers to medical facilities, welfare programs, etc., mentioned earlier in the article.

Perhaps the greatest single contribution the American corporations have made to the welfare of the Nation has been through developing and encouraging the spirit of research. In a single year, one American corporation spent $37 million in research. Its dividends for that same year were just short of $100 million! And this trend for research is not confined to the corporate laboratories, it is almost universal in the United States today, with dozens of the corporate giants contributing millions each year to collegiate and private research institutions throughout the country, and these contributions are made without "strings tied to them." The corporations are going on the sound theory that whatever enriches the knowledge of mankind enriches the nation, and as the nation is enriched the corporation gets a fair share of that enrichment.

Management the Key

Today there are no corporate monopolies in the sense that we knew them back in the twenties. Private monopolies are no longer profitable and no one knows it better than today's alert, competitive, corporation executive. Labor knows it the small business man knows it so do the educator, the professional men and women—only the anti-trust division of the Justice Department seems behind the times. We have shifted from any economy of capitalism to one which, for lack of a better word, might better be caused "managementism."

The Georgia Power Company some years ago adopted the slogan "A citizen wherever we serve." It aptly describes the American corporation of today and that means that the big American corporation is a citizen of all the States and territories, for the big corporation have customers, labor, suppliers and shareholders in all our political subdivisions.

BOOK REVIEW

Case Books of Law and Business

By WILLIAM H. SPENCER

Intended primarily for use in collegiate schools of business and business administration, this casebook serves as a basis of instruction in the legal aspects of business as outlined in the author's *Textbook of Law and Business.*

Designed to bring to the student an awareness of the large problem of social control, the cases in this book have been presented with the following purposes in view:

- to introduce the student to the whole field of the law, to give him a working knowledge of legal phraseology, and to prepare him for the study of case material.
- to assist him in visualizing more clearly the structure of modern society, by showing him the part which law and legal institutions have played in its development.
- to give him a practical knowledge of the legal devices which businessmen use in the administrations of their affairs.
- to give him an appreciation of certain portions of the law which directly and intimately throw around him the lines of social control.
- to give him skill in analyzing court decisions.

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The Trend of Events

(*Continued from page* 274)

ness certificates is the highest in over 20 years.

While allowance must be made for the fact that there was no Federal Reserve participation in the refunding operation—this institution having held none of the 1⅞% certificates—the results indicate that a disconcertingly large percentage of investors prefer cash to the government certificates. This may, in part, be due to the fact that seasonal requirements for cash are exerting their influence. However, the same seasonal influences were at work in past years when the Treasury made its short-term offerings and yet the subscriptions were taken up in full. Probably the answer is to be found among that growing class of investors which is dissatisfied with the rates which the Treasury has been offering on very short-term issues.

The Federal Reserve system is doing its best to encourage more conservative debt handling by the government but it realizes it cannot force the issue prematurely without upsetting the entire price structure of the government bond market. In the meantime, the interest offered will probably continue low, pending further clarification of the government's fiscal needs. Nevertheless, the underlying pressure is toward dearer money and it is difficult to see how this can be withstood indefinitely with respect to government financing.

Atomic Energy Construction Programs Move Forward*

The third and largest round of expansion of the Nation's atomic energy program got underway in August with selection of a site in Pike County, Ohio, for construction of a $1.2 billion gaseous diffusion plant. The Atomic Energy Commission also has let contracts for substantial expansion of facilities at Oak Ridge, Tenn.; Paducah, Ky.; and Hanford, Wash.

The new electric power requirements for these additional AEC facilities have been taken into account in the recent revision of the electric power expansion goal. Largest of these new requirements is that for the Ohio plant, which calls for the availability of 1.8 million kilowatts of generating capacity—the approximate equivalent of the capacity required to serve the entire Detroit metropolitan area.

On June 30, 1952, the Department of Defense had $6.2 billion of construction work underway at Army, Navy, and Air Force installations. About two-thirds of the total is located in the United States, one-third overseas.

Of the total program, an estimated $2 billion is now in place. Projects costing over $5 billion are expected to be completed and ready for use on or before December 31, 1953, and practically all of the remainder are now scheduled for completion during the following 12 months.

*From 7th quarterly report to the President by the Director of Defense Mobilization.

As I See It!

(*Continued from page* 275)

made into Moscow's milch cow, they may well have rebelled and attempted to emulate Tito. Or the hangings may have just been used by the dominant faction of the party to remove potential rivals from power. Or the victims may just have been scapegoats for the failure of the Czech communist regime to deliver the goods. Or the hangings may have a deliberately anti-Semitic touch to please the East Germans and the Arabs.

We like to believe that the Tamerlane-like blood bath in Prague was a warning to the Czechs that they must stop thinking like the Westerners, nay, that they must stop thinking for themselves and trust their faith in communism and its new gods in Moscow. There is nothing that Moscow and its pseudo-religious high communist hierarchy is more afraid of than independent thinking. Freedom of thought and the free world are "anathema to bolshevism", said, recently, former U. S. ambassador to Moscow, Admiral Kirk. Although Slavs, the Czechs are basically sceptics, not dreamers. The idea of religious, personal, and political freedom is deeply ingrained in this nation which considers the Hussite wars for religious freedom, the most glorious period in its history. It will take more than blood baths to make the Czechs forget their western heritage of freedom of thought, and make them stop scheming against the new Tamerlane of Asia.

BOOK REVIEW

THE PROCESS OF ECONOMIC GROWTH

By W. W. ROSTOW

In the interest of a workable analytic structure, capable of measurement, the author formulates six propensities that summarize the effective response of a society to the economic possibilities open to it. The weighing of material as against non-material objectives lies behind the propensities, and they pose certain questions which can be answered by social scientists other than economists as well. After the propensities are adequately defined and their place in economic analysis indicated, they are used to formulate a dynamic process of growth by their effect on the two variables affecting output: the working force and capital (broadly defined). Proceeding from the presentation of conditions of steady growth, the business cycle and secular trends are analyzed from a new and fruitful perspective.

The book contains a wealth of germinal ideas such as the linking of sectoral analysis to the macrocosmic view of Keynes; the inclusion of such a factor as innovation, often considered exogenous, in a theory of growth; and the implication for the "Point Four" program of recognizing other objectives than merely stimulating investment abroad.

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